

Herald Tribune



PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

**

Paris, Monday, November 20, 1995

No. 35,062

Polish Voters Keep Brakes On Walesa's 2d-Term Bid

Early Soundings Show The President Trailing His Ex-Communist Foe

Compiled by Our Staff From Dispatches

WARSAW — Alexander Kwasniewski, a former Communist, was running just ahead of President Lech Walesa on Sunday in the Polish presidential elections, according to an unofficial survey based on a sample of official returns.

The sample, taken by the OBOP institute from 1,018 out of 22,000 polling stations, put Mr. Kwasniewski in the lead with 51.3 percent to 48.7 percent for Mr. Walesa. Earlier exit polls had put Mr. Walesa marginally ahead.

The sample, based on official returns, carries significantly more weight than the exit polls.

The result, if confirmed by full official returns late on Monday, would transfer the last bastion of power in the country to former Communists who have controlled Parliament and government since 1993 parliamentary elections.

It would be a bitter defeat for Mr. Walesa, the founder of the Solidarity trade union who led Poles to victory over communism only six years ago.

Mr. Walesa faced a nation divided over whether it still needed a symbol of freedom to lead its drive for democratic reform.

Five years after three of every four voters tapped the former Solidarity hero for president in the first free election here, this election turned into the most tightly contested races in Eastern Europe since the fall of communism.

Mr. Walesa, whose popularity ratings plummeted during his often combative presidency, urged voters to remember why Poland once fought the Communists party.

Mr. Kwasniewski, a career politician and former minister of sports in the old regime, emerged as a formidable candidate early in the race by successfully portraying himself as a Communist-turned-social democrat who evolved alongside Poland. Even as he cast his vote on Sunday, in a suburban area of Warsaw, Mr. Kwasniewski shrugged off reporters' queries about Poland's future.

"I'm sure there are no fears," he said. "If Mr. Walesa wins, it's democracy in Poland. If I win, it will be democracy in Poland."

(Reuters, WP)



President Jiang Zemin of China, left, with Vice President Al Gore at the APEC summit on Sunday in Osaka, Japan.

China Vows to Slash Most Import Tariffs

Drive to Join World Trade Body Gets New Boost at Asia Summit

By Michael Richardson
International Herald Tribune

OSAKA, Japan — In a dramatic move designed to enhance China's status as a world economic power, President Jiang Zemin said Sunday that two-thirds of the country's tariffs on imports would be slashed by at least 30 percent next year.

The Chinese package, which officials said also included substantial cuts in non-tariff barriers and important currency reforms, was the largest single trade liberalization since China began opening its markets in 1979.

In making the announcement at a summit meeting of APEC, the Asia-Pacific Economic Cooperation forum, the Chinese leader was clearly seeking to win support for Beijing's bid for membership in the World Trade Organization from Japan and other countries in the region, as well as the United States.

Joining the WTO, the body that regulates global trade, would give China formal international recognition of its emergence as a major economic power.

Vice President Al Gore, after meeting with Mr. Jiang in Osaka, said Sunday that China's reform package was "an important step down the pathway" that Washington had recently laid out for Beijing to follow as a condition of American support for China's entry to the world trade body.

Mr. Gore, standing in for President Bill Clinton at the APEC meeting, said that China's new reforms "must be interpreted as part of a process of opening and harmonizing in a manner that is calculated to lead to the meeting of all the necessary

requirements for WTO membership." He indicated, however, that the United States still expected China to make further progress in bringing its market reforms in line with strict world trade standards before Washington would finally support Beijing's bid.

China's trade-reform package was included in a series of voluntary trade measures announced Sunday by the 18 APEC member nations as a "down payment" on their program to achieve free and open trade and investment in the region by 2020.

But most of the other packages had previously been announced or were accelerations of earlier measures.

The packages are to be followed by further liberalization offers by each country in time for the next annual meeting of the group in the Philippines late next year.

In a joint declaration read Sunday on the steps of the 400-year-old Osaka Castle by Prime Minister Tomiochi Murayama of Japan, the APEC leaders said they would implement their liberalization blueprint with "unwavering resolve," although Prime Minister Mahathir bin Mohamad of Malaysia continued to insist that the accord was nonbinding.

Beijing's announcements in Osaka, and Washington's statements in response, could signal the beginning of a new era in global trade relations for China.

Until recently, U.S. officials were saying that Beijing still had to satisfy American concerns on 25 or more outstanding disputes, including enforcement of a bilateral agreement to protect intellectual property

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Bosnia Peace Talks, Down to the Wire, Could 'Go Either Way'

Compiled by Our Staff From Dispatches

DAYTON, Ohio — The Bosnia peace talks will conclude on Monday with either the initiating of an accord to end a 43-war month war in the former Yugoslav republic or with a breakdown in efforts to settle it, the U.S. State Department said Sunday.

In a briefing designed to keep maximum pressure on the leaders of Bosnia, Serbia and Croatia as they make final decisions on war or peace, the State Department spokesman, Nicholas Burns, said that the talks could "go either way" and that the United States was prepared to call off the negotiations if agreement was not

reached by the end of the day. He said that an event had been scheduled for Monday at 10 A.M. that could either be a ceremony to initial a peace agreement or announce that 19 days of intensive effort had ended in failure.

In what was widely seen as a sign of hope, President Franjo Tudjman of Croatia flew to Dayton saying he had been told an agreement was expected to be initiated Monday. Mr. Burns, however, continued to try to put a lid on expectations, contending that Mr. Tudjman must have received some incorrect information from his delegation at the talks.

The draft agreements on the table require all sides to

make big concessions. The Muslim-led Bosnian government is being asked to accept the de facto division of the country in return for vaguely worded constitutional provisions establishing a weak central government.

A demand by the Bosnian government for arms and equipment threw a last-minute snag into the peace talks, and one source said it was a "potential deal-breaker." But Mr. Burns said the United States continued to resist placing that issue in a formal peace agreement.

Some major issues are settled, sources said. A draft provides for a collective presidency, with ethnic groups

sharing authority; separation of rival armies with a demilitarized zone 4 kilometers (2.5 miles) wide; and the Bosnian Serbs' retaining control of Srebrenica and Zepa, two Muslim enclaves seized by the Serbs. U.S. officials said. The Muslims, meanwhile, would retain Gorazde.

As the hour of decisions approached, the Bosnian government, which has known nothing but war, appeared particularly torn over what course to take. The tension building at the conference was evident Saturday in the abrupt resignation of Mohammed Sacirbey, Bosnia's foreign minister. (AP, Reuters, NYT)

Huge U.S. Buildup in Gulf Risks Stirring a Backlash

'We Are the Security Managers'

By Dana Priest and John Lancaster
Washington Post Service

WASHINGTON — Before the military buildup leading to the Gulf War in 1991, the United States watched the region from spy planes and stationed troops and equipment for emergencies well out of sight, "over the horizon."

Since then, in a huge but discreet strategic shift of U.S. military assets, the United States has positioned hundreds of warplanes, dozens of warships and tens of thousands of U.S. troops in and offshore from the six Arab allies that line the western side of the Gulf — all Muslim countries run by autocratic families flush with oil wealth.

Another brigade of American civilian contractors coordinates an unprecedented flood of U.S. weapons sales to the region and trains the militaries of these countries in how to use their new arms. While the rulers of Gulf nations remain leery of a large foreign presence on their soil, they have abandoned many of their traditional reservations since the United States led the coalition that drove Iraq from Kuwait.

While U.S. forces are downsizing in every other part of the globe, they are on the increase in the Gulf to monitor, intimidate and, if necessary, repel Iraq and Iran. Lacking diplomatic relations with both countries, the United States must rely on military muscle, and United Nations sanctions, to achieve its twin goals of containing Iran's revolutionary mullahs to the east and Iraq's President Saddam Hussein to the north.

"We are the security managers of that

area," said Zalmay Khalilzad, a senior Rand Corp. analyst who directed the Defense Department's office of policy planning during the Bush administration.

But the side effects of the buildup could grow into its undoing, according to analysts in the region and in Washington.

The car bomb in Saudi Arabia that killed an army sergeant and four army civilians a week ago is the latest example of a backlash against the U.S. presence.

In the Arab press, speculation about the culprits centers on Saudi Islamic extremists, who accuse the monarchy of corruption and coyness with the evil West.

A spokesman for the most vocal Saudi dissident group said the bombers hit a "legitimate target" because non-Muslim foreign armies are not permitted on the Arabian Peninsula under Islamic law.

Even top Pentagon officials are concerned that the Gulf states, faced with cash shortfalls from lower oil prices, are cutting back on traditional social subsidies to pay for weapons and that this squeeze, in turn, is fueling social unrest and anti-American sentiment. Analogies are being drawn between the shah's Iran and present-day Saudi Arabia. Like the role of arms merchant and military patron it plays in Saudi Arabia, the United States became the supplier of arms, technology and personnel for Iran in return for allegiance as a U.S.-friendly military power in the region.

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"We are the security managers of that

AGENDA

Diana on the Air: The High Road?

"Diana is an international phenomenon," says a spokesman for the BBC, which will carry an exclusive interview with the Princess of Wales on Monday evening on its program "Panorama" — and has sold rights to it to networks around the world.

"It is difficult to think of anyone in the world who people would more like to hear from," the BBC spokesman said.

Those, however, who are hoping for a no-holds-barred interview will apparently be disappointed. According to accounts in The Sunday Telegraph, whose editor has close ties to the princess, Diana takes the high road and sticks to it in the interview, which took place earlier this month at Kensington Palace in London.

Leaked segments suggest the princess will not seek a divorce from her husband, Prince Charles. "There are two children involved here," she reportedly says. Page 9, with international TV schedule

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NATO's Bosnia Test

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Edging Toward a U.S. Budget

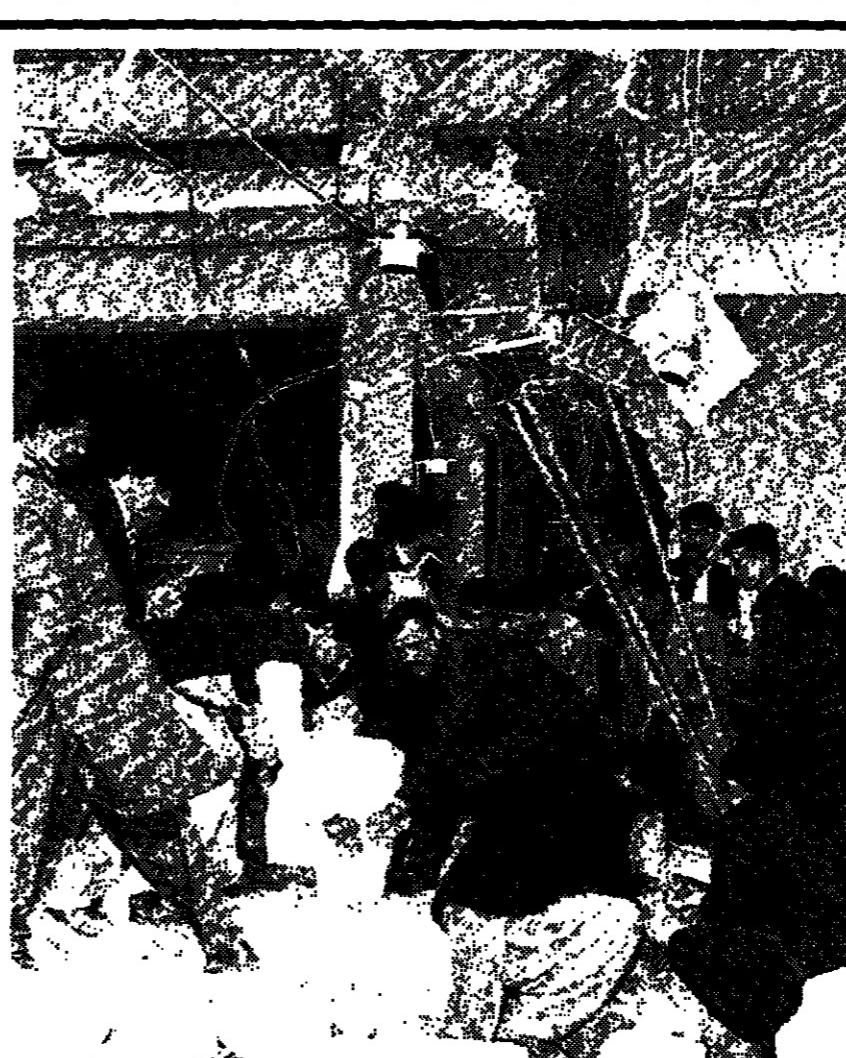
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Core Assures Asians

EUROPE Page 5

Bonn Blocks EU Farm Aid to East

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TERROR ATTACK — Rescue workers digging through rubble at Egypt's Embassy in Islamabad on Sunday after a car bomb killed at least 14. Page 9.

Japan Brands U.S. Admiral's Rape Remarks 'Unbelievable'

Compiled by Our Staff From Dispatches

OSAKA, Japan — Japan has described remarks made by the commander of American forces in the Pacific about the Okinawa rape case as "unbelievable" and said his resignation was correct.

The commander of U.S. forces in the Pacific was forced to step down Friday after he said the rape of the 12-year-old Okinawan girl could have been avoided if the U.S. serviceman involved had simply paid for a prostitute.

The commander, Admiral Richard C. Macke, apologized after members of Congress and Japanese officials complained, but it was too late.

The remark threw senior Clinton administration officials into a fit of disbelief at a time of already strained U.S.-Japanese relations and following a series of publicized disciplinary problems in the navy involving mistreatment of women.

Bosnia Operation / Alliance's Credibility and Unity at Stake**Put to the Test, NATO Shows Its Mettle**By Rick Atkinson
Washington Post Service

ZAGREB, Croatia — Willy Claes was furious. Always volatile, the NATO secretary-general seemed downright apoplectic on the afternoon of Sept. 2 as he shouted into the telephone. In his Brussels office, Mr. Claes had just learned that Lieutenant General Bernard Janvier, the UN commander in the former Yugoslavia, had agreed after only two days of NATO bombing to suspend attacks against the Bosnian Serbs for at least 96 hours.

During stormy negotiations with Ratko Mladic, the Bosnian Serb military commander, General Janvier had accepted General Mladic's pledge to

Second of two articles

lift the siege of Sarajevo and to remove his heavy weapons from the "exclusion zone" ringing the city. But General Mladic had promised with conditions and caveats, as Mr. Claes now recognized in the defiant one-page letter the Serbian commander had handed General Janvier at the end of their 14-hour session.

General Mladic manipulated you, Mr. Claes told the UN commander in Zagreb. NATO and the United Nations had the Serbs on the ropes, and General Janvier had let them slip away.

For NATO and the United Nations, that Saturday afternoon would become the crucial turning point in Operation Deliberate Force, the extended bombing campaign against the Bosnian Serbs. Again and again during the endless months of Bosnia's agony, the Western powers had accepted the Serbs' false assurances only to find themselves outmaneuvered or outflanked. At stake this time were not only NATO's credibility and unity, but also the delicate latticework of diplomacy and force that eventually would lead to peace talks in Ohio and hopes for a durable armistice.

Short but intense, Deliberate Force represented a coming of age party for a Western alliance that in more than four decades had fired few shots in anger and had never fought an extended campaign. The operation displayed strengths and strains likely to reappear during the deployment to Bosnia this winter of a peace implementation force; it was a test of tactical competence, of strategic coherence and, pre-eminently, of mettle.

General Janvier arrived at the Hotel Jerezo in Mali Zvornik at 2:30 P.M. that day, a Friday. For nearly 14 hours, General Mladic blustered, wheedled and whined. At 4:08 A.M. Saturday, the session broke up. General Janvier flew back to Zagreb, with the one-page "My Dear General" letter from General Mladic.

General Janvier met Admiral Smith in Zagreb. He said he believed General Mladic did not understand the extent to which his military had been battered. An additional four-day suspension would let him see the damage and carry through on his promise to lift the Sarajevo siege. "The require-

ments for termination have been met," General Janvier said. "But we need to keep the pressure on."

Admiral Smith knew General Joulwan would want to scrutinize the diplomatic and political angles. But General Janvier's deal sounded acceptable. "I need your commitment that if we restart we hit them in a big way," Admiral Smith said. General Janvier assented, asking only that Serbian barracks be spared. Admiral Smith agreed. Exhausted and emotionally drained, both UN and NATO officers felt a giddy relief.

Admiral Smith immediately faxed a copy of the Mladic letter to General Joulwan, who considered the Serb's effrontry "an outrage." His effort to link the removal of Sarajevo siege weapons to restrictions on the Muslim-led Bosnian government's forces was hardly the unconditional withdrawal demanded of him.

For Mr. Claes, the proposed four-day moratorium was a disaster in the making. Getting 16 NATO nations and the United Nations to agree on a firm course had taken months; the longer the pause, the more difficult it would be to restart military operations. To fold after two days without a clear Serbian capitulation would irreparably damage the alliance's already tarnished credibility.

Barely had the bombing begun at 2:12 A.M. on Aug. 30 than whispers of at least a temporary moratorium were heard in Zagreb and Brussels. Richard C. Holbrooke, the U.S. assistant secretary of state seeking a comprehensive peace plan in the former Yugoslavia, informed both General Janvier and the U.S. ambassador to NATO, Robert Hunter, that a pause might help nudge his talks forward.

General Janvier, too, was looking for a breather. President Slobodan Milosevic of Serbia had called the United Nations to arrange a meeting between General Janvier and General Mladic on Sept. 1 in the Serbian border town of Mali Zvornik. At 4 that morning, after flying 800 air sorties and firing 1,200 artillery rounds, NATO temporarily halted Deliberate Force on grounds of safeguarding General Janvier's expedition.

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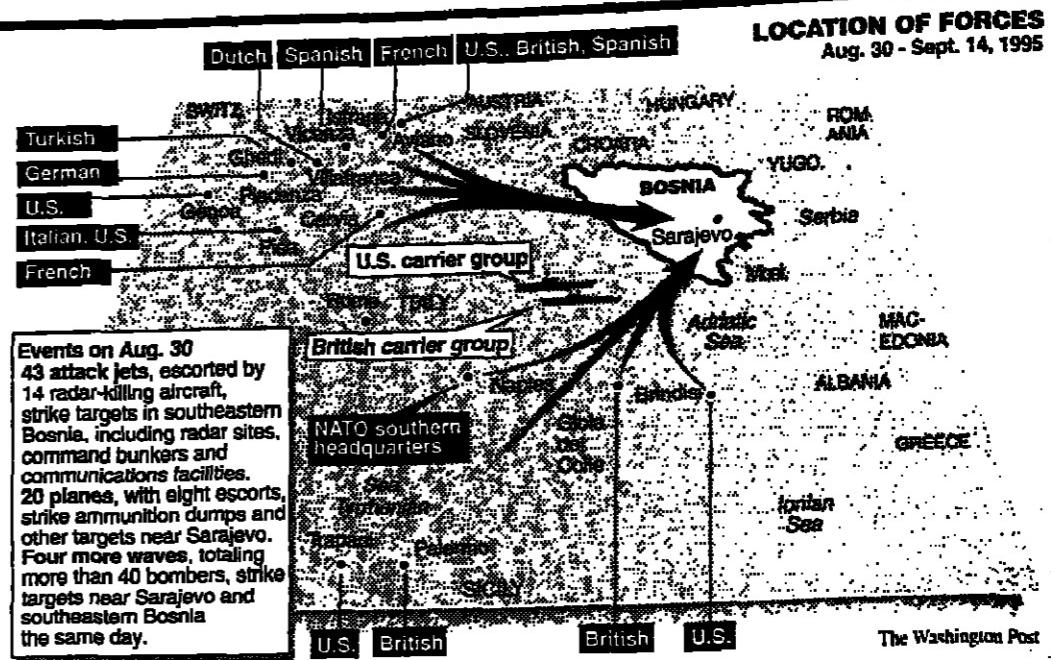
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The Washington Post

and Serbs and threatened to pull Belgrade back into the war.

Then, suddenly, it was over. Alarmed at both the Tomahawk attacks and the Croatian-Muslim offensive, which eventually captured 3,350 square kilometers (1,300 square miles) of western Bosnia, reducing Serbian holdings from nearly three-quarters to less than half of the country, the Serbs sued for peace.

NATO commanders believed General Mladic had recognized he could not fight a two-front war against NATO and his Balkan adversaries.

On Sept. 14, Mr. Holbrooke shuttled between Belgrade, Zagreb and Mostar, Bosnia: Admiral Smith and General Janvier agreed to a 12-hour bombing halt, although bad weather meant no bombs had fallen since Sept. 12 anyway. Mr. Holbrooke emerged with a withdrawal agreement signed by General Mladic.

A 72-hour bombing moratorium took effect at 10 P.M. on Sept. 14. On Sept. 17, as the Serbs began to decamp from the Sarajevo suburbs, Admiral Smith and General Janvier extended it for another 72 hours.

On Sept. 20, after a daylong squabble between NATO and the United Nations over whether to declare the campaign "indefinitely suspended" or "terminated," Mr. Claes and the UN secretary-general, Boutros Boutros Ghali, agreed to a compromise: "The resumption of air strikes is currently not necessary." Deliberate Force was history.

COMING UP
Call it the Persian dog that didn't bark: An immense, conventional military buildup by Iran forecast three years ago by Washington has never fully materialized.

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U.S. Airports Ease Security

WASHINGTON (AP) — Airports lifted parking bans and ended car inspections Sunday after federal officials relaxed the tight security in place since the New York terrorism convictions of militant Muslims.

Other security measures began in August and intensified in October will continue, however, a spokeswoman for the Federal Aviation Administration said.

Those include checking travelers' identification.

The extra security, although not as extensive as during the Gulf War, had caused delays at several airports. The changes come just in time for the Thanksgiving and Christmas travel season, but the spokeswoman, Sandra Allen, said that this had not influenced the decision by federal officials. She would not say what had prompted the change.

"We are constantly monitoring the threat potential, and we came to the conclusion these modifications were warranted," she said.

When security was first tightened in early August, there were newspaper reports that the FBI had received information that two militant Muslim groups were planning a suicide attack on a New York airport.

On Oct. 1, security was tightened even more, on the same day a group of militant Muslims

were found guilty of terrorism.

A Clinton administration official said at the time that the alert was related to the terrorism convictions, the signing of a Mideast treaty, the Pope's visit and the United Nations' 50th anniversary celebration.

At Dallas-Fort Worth Airport on Sunday, officials reopened about 1,400 one-hour parking spaces near a terminal.

At Minneapolis-St. Paul International Airport and at New York City airports, officials halted inspections of large vehicles as they entered parking garages near terminals.

In Dallas, parking spaces had been roped off until a plastic laminate could be applied to glass panels on a nearby terminal, to prevent injuries if a bomb exploded in a vehicle parked in the front rows. Of

ficials said they planned to finish the lamination.

France Faces Major Disruption

PARIS (AFP) — Prime Minister Alain Juppé faces one of his toughest weeks in office yet this week, climaxing in a general strike on Friday, as protest against his six-month-old government continue to mount.

On Tuesday, students have called a nationwide day of action over funding. Starting Thursday evening, strikes by railroad and subway workers could bring much of the country to a halt.

A 24-hour strike by civil servants will close many public services Friday, when everything from schools and post offices to gas and electrical services face severe disruption

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Belize, Mexico.

TUESDAY: Lebanon, Germany.

WEDNESDAY: Japan, Puerto Rico, United States.

SATURDAY: Bosnia, Suriname.

Sources: J.P. Morgan, Reuters.

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WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Asia

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THE AMERICAS

Clinton and Republicans Edge Closer to Compromise on Budget

By Brian Knowlton
International Herald Tribune

WASHINGTON — There were signs Sunday that a bitter deadlock on the budget that led last week to a partial government shutdown might be approaching a compromise solution.

Leon E. Panetta, the White House chief of staff, said that a new Republican offer "certainly shows some positive movement."

He said it was "my prayer and my goal" that the matter be resolved in time to reopen government offices Monday.

He and another top Clinton adviser, George Stephanopoulos, met with Republican leaders to discuss the prospects of hammering out a deal.

After a week of rare vitriol between Republicans and Democrats, capped by a brief shoving match early Saturday on the floor of the House, both sides seemed to be lowering the tone Sunday.

"This is not insolvable," Newt Gingrich, the speaker of the House, said on ABC. "We're prepared to try to talk this through." But he predicted that the partial government shutdown would continue until President Bill Clinton agreed to a seven-year budget plan.

On Saturday, Republican congressional leaders sent Mr. Clinton a proposal to end the shutdown. They said they would compromise on the economic assumptions being used in the budget debate if he would agree to accept a seven-year plan.

While the government closings were provoked by

the president's veto of a Republican-backed bill to fund continued operations, a solution is now bound up in debate over the scope of budget plans.

The Republicans say the president must endorse their plan to balance the budget within seven years. They say this must be done using figures on economic assumptions from the Congressional Budget Office.

The president now says he is willing to consider seven years as a goal. But he wants more optimistic numbers on economic growth — those of the Office of Management and Budget — to be used.

These assumptions, pointing to more revenue for government and lower interest rates, would allow the White House to mitigate some of the deep cuts in federal programs called for by the Republicans.

Mr. Gingrich said Sunday that Republicans were willing to consider these other economic projections, and Mr. Panetta said in a separate appearance, "That is one area where we obviously see some movement."

But there were some fissures in Republican ranks.

"I'm opposed to this plan," said Senator Phil Gramm of Texas. "I'm opposed to letting the president assume away the problem so he can spend more money."

Differences in the economic assumptions — Mr. Clinton uses a 2.3 percent figure for growth in the gross domestic product, the Republicans, 2.45 percent — appear slight. But they would make considerable difference on how painful budget cuts

would be to average Americans.

Mr. Gingrich said Republicans would not agree to any budget legendarily. "What will not happen under any circumstances," he said, "is a political deal where we make up a phony number for Washington political purposes to buy off the pressure so we can claim victory. I think that would be very destructive."

Pete V. Domenici, chairman of the Senate Budget Committee, said that even Republican plans for a \$24.5 billion tax cut were on the table. Mr. Gramm later said Mr. Domenici's comment was "a mistake."

At one point Saturday, rancor was so great on the floor of the House that a shoving incident led to a melee that Capitol Hill police had to break up.

POLITICAL NOTES

Where There's Tobacco Smoke...

WASHINGTON — Representative Edolphus Towns, Democrat of Brooklyn, defends the huge contributions he receives from tobacco companies this way: He is from Chadbourn, North Carolina, the son of sharecroppers who depended on growing tobacco for survival. And besides, tobacco is a legal product.

Representative Charles Rangel, Democrat of Harlem and a fighter to overhaul the health care system, pleaded ignorance about taking tobacco money, saying he could not remember being approached by anyone from the industry recently.

"How much money did I get?" he asked last week. "I can't recall a nickel, if my life depended on it."

Mr. Towns and Mr. Rangel, black politicians who represent largely black districts, might appear to be unlikely candidates to accept the tobacco industry's self-interested largess. The death rate from lung disease — which is mostly caused by smoking — is nearly 22 percent higher for blacks than whites, according to the American Lung Association.

And black and Hispanic leaders, Mr. Rangel among them, have complained for years that minority neighborhoods are special targets of tobacco and alcohol advertising.

Yet both men are among the House of Representatives' top 20 recipients of tobacco money, in a list dominated by politicians from states where tobacco is grown.

From January 1985 through September 1995, the industry gave Mr. Rangel \$49,950 and Mr. Towns \$47,680, according to two anti-smoking groups. That was comparable to the \$53,500 given to House Speaker Newt Gingrich, a Georgian who is considered a friend of tobacco interests. (NYT)

Black Loses in Louisiana Voting

NEW ORLEANS — Republican Mike Foster won the race for the Louisiana governorship Saturday, easily defeating the man trying to be the first black elected to the office. With 99 percent of the vote reported, Mr. Foster had 64 percent of the vote or 972,882, c. Representative Cleo Fields, a Democrat, had 36 percent or 554,993.

"With this kind of mandate, I'm going to try to do it — a referendum on whether we will keep gambling, a constitutional amendment to give the voters the right to place issues on the ballot, do the budget better and dedicate funds to higher education," Mr. Foster, a state senator, said in Lafayette after his victory. (AP)

Utah Suspect Turns Himself In

WASHINGTON — Six days after he vanished, the husband of Representative Enid Greene Waldholz of Utah turned himself in to federal authorities here to face questions about the couple's convoluted finances and how she paid for her 1994 campaign.

Joe Waldholz, 32, was released Friday to the custody of an unidentified lawyer who did not appear in court but who pledged over a speaker phone in a Federal courtroom that he would be responsible for Mr. Waldholz's appearance Wednesday before a federal grand jury in Washington.

Mr. Waldholz has not been charged with a crime and, according to his lawyer, arranged to turn himself in as soon as possible after reading that there was a warrant for his arrest. He was wanted as a material witness in a \$1.7 million check-kiting scheme. (NYT)

Indiana Democrat to Step Down

INDIANAPOLIS — Representative Andy Jacobs Jr., a Democrat known for his refusal to accept raises and an irreverent sense of humor, said Saturday that he would not seek re-election because "30 years are enough."

He is the 15th Democrat to announce that he will not run again in 1996, along with three Republicans. In addition, two Democrats have resigned this year. The Republican Party swept to its first House majority in 40 years in 1994 and if it maintains control in 1996, it will be the first time a Republican majority was re-elected since 1928.

Mr. Jacobs, 63, denied he was jumping ship. "I don't think I'm abandoning my party in 1996," he said. "Things look pretty good." (AP)

Quote/Unquote

Representative John L. Mica, a Florida Republican, apologizing to the House after he was nearly banned from speaking for insulting President Bill Clinton while criticizing the president's position in the balanced-budget debate: "I guess you get emotional. I missed my son's football game last night. I wasn't home to help my wife clean the house before Thanksgiving." (WP)



Supporters of Bob Dole whooping it up after the senator's speech in Orlando, Florida.

Full Speed Ahead on State Roads**After Senate, House Passes Law Ending 55 mph Limits**

By Don Phillips
Washington Post Service

WASHINGTON — The House has passed legislation that frees states of federal speed limits and removes penalties on states that do not have laws requiring motorcycle helmets.

The House passed the final bill Saturday without debate in less than two minutes under "unanimous consent" procedures that would have allowed one member to block it. Republicans and Democratic leaders approved the procedure despite a weeks-long campaign by safety, insurance and public interest groups, which said the legislation would lead to increased highway deaths.

The Senate passed the bill, 80 to 16, on Friday, and President Bill Clinton is expected to reject it, partly because it releases \$6.5 billion in highway funds that have been frozen since Oct. 1. Under previous legislation, that was the deadline for Congress to designate a new National Highway System. The House bill approved Sat-

urday started out to do just that. But the bill began to gather additions quickly, many of them with a strong states rights flavor. In addition to ending federally imposed speed limits and helmet laws, it would relieve states of many other requirements, such as installing highway signs designating distances in kilometers and using old tire rubber in highway construction.

Federal speed-limit requirements, dating to 1974, hold speeds on all highways to 55 miles an hour (88 kilometers an hour), except for rural interstate and certain other limited-access rural highways that are allowed a 65 mph limit.

Ten days after the president signs the law, states will be free to set any speed limit. Advocates for Highway and Auto Safety, a group opposing the bill, said nine states had laws providing automatic increases in speed limits if federal regulations are removed: Montana (no limit); Kansas, Nevada and Wyoming (75 mph); Oklahoma, South Dakota, Missouri, Texas and California (70 mph).

David F. Snyder, an official of the American Insurance Association, felt that higher speed limits would cause 6,000 additional highway deaths a year and add \$20 billion a year in costs to insurance policyholders.

This is victory for us," declared Senator Gramm. "We came to Florida to prove once and for all this is a two-man race. We proved it."

The results of the poll here —

Away From Politics

• Flight controllers told the crew of the space shuttle Atlantis that the weather should be favorable for a landing Monday at Kennedy Space Center in Florida. Atlantis is ending an eight-day voyage, during which it docked with the Russian space station Mir. (Reuters)

• A freight train rear-ended another freight train in Wyoming, killing an engineer and starting a fire that fed on thousands of gallons of spilled diesel fuel. Sections of U.S. Highway 287 adjacent to the tracks were closed as flames and thick smoke billowed from the crash. About 100 residents in a nearby development were evacuated. (AP)

• A worker trapped chest-deep in wet sand under a street in Warren, Michigan, was rescued after 15 hours when crews used a chemical to solidify the grains holding him in place. Sampson Barnhill, 55, hospitalized after crews plucked him free, was listed in stable condition with mild hypothermia at a hospital. Mr. Barnhill was excavating around a sewer line when he fell off a platform into sand, police said. (AP)

Dole Wins Florida Straw Poll**Gramm Edges Alexander for 2d Place**

By Thomas B. Edsall
and Dan Balz
Washington Post Service

ORLANDO, FLA. — Senator Bob Dole won the Florida Republican straw poll, and Senator Phil Gramm fended off Lamar Alexander to finish in second place.

The Senate majority leader won just 33 percent of the 3,325 ballots cast in a contest widely viewed as a stepping stone to the Republican presidential nomination.

Mr. Alexander, a former Tennessee governor and education secretary, had put on a strong campaign, and in the final days his aides were boasting that a second-place finish was in sight. In the final tally, however, he fell short.

Senator Gramm, of Texas, who has done well in other straw polls, won a solid second-place with 26 percent after giving a red-meat conservative speech that produced the longest and strongest applause of any of the candidate talks. Mr. Alexander had 23 percent.

Patrick J. Buchanan edged out a former Reagan administration appointee, Alan Keyes, with 9 percent to 8 percent for Mr. Keyes.

All the other candidates — Representative Robert K. Dornan of California, Malcolm S. Forbes Jr., Senator Richard G. Lugar of Indiana and Senator Arlen Specter of Pennsylvania — got less than 1 percent.

Senator Dole's campaign manager, Scott Reed, said: "A win is a win. Today's a win."

But the body language of Mr. Reed and other top Dole officials reflected a measure of disappointment that the front-running candidate's percentage was not as impressive as they had hoped.

"This is victory for us," declared Senator Gramm. "We came to Florida to prove once and for all this is a two-man race. We proved it."

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ASIA

Gore Assures Asian Leaders U.S. 'Deeply Committed' to Region

Compiled by Our Staff From Dispatches

OSAKA, Japan. — Vice President Al Gore, standing in for President Bill Clinton here Sunday at an Asia-Pacific summit meeting, forcefully rejected suggestions that Mr. Clinton's no-show meant a waning commitment by America to the region or to the U.S.-Japan alliance.

"President Clinton and the other leaders of the United States are deeply committed to APEC and to the Asia-Pacific region," Mr. Gore said at a news conference after attending the Asia-Pacific Economic Cooperation meeting and holding several bilateral chats.

"The president is determined to reschedule his state visit to Japan as early as possible," Mr. Gore said. "The president also looks forward to attending the next APEC leaders' meeting in Manila."

Mr. Clinton on Thursday abruptly canceled his summit trip and an official visit to Tokyo to deal with the budget crisis at home.

His absence robbed Washington of a chance to grab the limelight at the APEC talks, where leaders reaffirmed their dream of free trade in the world's fastest growing region over the next 25 years and backed up their vision with a blueprint of how to achieve it.

Mr. Clinton also lost a chance to issue a joint statement with Prime Minister Tomio Murayama reaffirming the importance of the U.S.-Japan security tie, which has been called into question by the Cold War's end and jolted by a rape case on the island of Okinawa involving U.S. servicemen.

But Mr. Gore did his best to soothe Asian anxieties that Washington was turning inward and away from the region.

"We support the APEC process wholeheartedly," he said. "Our future lies in our relations in Asia and in the Pacific."

Mr. Gore also stated repeatedly that the United States valued highly its bilateral ties with Tokyo, and promised that Mr. Clinton would visit as soon as he could.

"In our meeting, I reaffirmed to Prime Minister Mu-

rayama that the U.S.-Japan relationship is of profound importance to peace and prosperity in this region and around the world," he said.

Mr. Gore, a 47-year-old Vietnam veteran whose forte is the environment and the information superhighway, also met other leaders, including President Kim Young Sam of South Korea and China's Jiang Zemin.

Mr. Gore traveled the greatest distance of any of the leaders, and with less time to acclimate himself. Prime Minister Jean Chretien of Canada had just arrived from the Commonwealth meeting in New Zealand, so he was more or less

used to this time zone. Mr. Gore clearly was not. He looked puffy-eyed and tired when he got off the plane in the late afternoon local time, and no wonder — it was 2:30 A.M. in Washington. But there was no time to rest; he was hustled straight into talks with world leaders.

At his closing news conference, Mr. Gore wiped his brow a few times under the hot TV lights and gamely told reporters: "It was a great privilege for me to attend this meeting." Stepping away from the podium, he briefly closed his eyes.

An hour later, he was on his way home. (Reuters, AP)



ANGRY IN SEOUL — Students trying to rip the helmets off police over the weekend. The students demanded that ex-President Roh Tae Woo receive harsh punishment.

4 Hostages' Status On Ice in Kashmir

No Help Seems to Be Near As Winter Grips the State

By John F. Burns

New York Times Service

SRINAGAR, Kashmir —

Somewhere in the Himalayan mountains that loom through the winter mists southeast of this old traders' city, four Westerners who came here on trekking vacations — one from the United States, two from Britain and one from Germany — are now well into their fifth month as hostages of a shadowy gang of kidnappers.

At the heights in the Anantnag range where the hostages are believed to be held, perhaps as much as 14,000 feet (4,270 meters) above sea level, it is bitterly cold. The winter snows that block high passes and trails have been falling for weeks, compounding hardships imposed on the hostages since they were seized by a group of Kashmiris, Pakistanis and Afghans. The captors say they are fighting for the secession of this state, where Muslims are in the majority, from India.

For Kashmiris, the kidnapping is a grim codicil to a year that is ending badly in other ways. As the state sinks into the winter freeze that has most of its 7.5 million people lighting candles and wood fires to get through the bitter nights, the political impasse that has gripped it since the insurgency began in 1989 seems to be frozen, too.

After more than 25,000 deaths in fighting, many of them of civilians, the Indian government, vowing to keep the state part of India, and the rebel groups, saying they will fight on for independence, appear to be as far apart as ever.

In the last 10 days or so, India's newest attempt to outflank the rebels politically flopped, just as similar efforts have done before. Only days after the government announced that it would hold an election in December in Kashmir, the first since 1987, the election commission ruled that "conditions" in the state — meaning the in-

surgency — made a fair election impossible. It was the second time this year the government called for a vote only to be blocked by the commission.

Meanwhile, after more than 130 days as captives, the four Westerners remain at the kidnappers' mercy.

The Indian authorities, backed by the three Western governments, have rejected demands from the kidnappers for the release of jailed insurgents and have said that they will not pay a ransom. A rescue attempt has also been ruled out since the terrain makes freeing the hostages without risk of injury or death all but impossible.

Among the Muslims of the Kashmir Valley, who pride themselves on their hospitality, the kidnapping has been widely condemned. Feelings heightened last week when the kidnappers, who have been using radios to communicate with Indian officials in Srinagar, warned that two of the hostages were sick and that one of them

— believed to be Donald Hutchings, 42, a psychologist from Spokane, Washington — was suffering from severe frostbite to his bandaged feet and could "die at any moment."

In a message delivered to local news agencies, the kidnappers said Indian officials would be to blame if the hostage dies.

Some Indian officials dismissed the kidnappers' warnings as a fresh effort to pressure the government. Prime Minister P.V. Narasimha Rao hopes for a breakthrough in Kashmir before a national election that must be held next April or May.

To lure moderate Kashmiri political groups into taking part in the election, he recently offered a modest grant of political autonomy to Kashmir. But the only Muslim political group that seemed inclined to take a role in an election, the pro-India National Conference, immediately rejected the offer, denouncing it as inadequate and vowing a boycott.

BRIEFLY ASIA

Sri Lankans Moving Up In Jaffna City Offensive

Kim Jong Il Pops Up in Public

SEOUL — The reclusive North Korean leader, Kim Jong Il, made a rare public appearance Sunday to meet with officials of the Communist news media, an official report said.

Mr. Kim's visit to the North Korean Radio and TV Broadcasting Committee came amid South Korean news reports that the 53-year-old Mr. Kim was tightening his grip on the North's media in an effort to consolidate power before a formal ascent to top posts.

Most of Mr. Kim's appearances have been at military facilities. He is the head of the 1.25-million-strong armed forces, but has yet to become president and party head — two important posts held by his father, Kim Il Sung, who died of heart failure in July 1994.

Sihanouk's Half-Brother Seized

PHNOM PENH — King Norodom Sihanouk's half-brother has been placed under house arrest in connection with a plot to kill Prime Minister Hun Sen, government radio reported Saturday.

Prince Norodom Sirivudh, a prominent critic of the government, was detained at his home here Friday, the report said.

Reports of a plot emerged a week ago, and Mr. Hun Sen has repeated them. But no one has come forward with any evidence, and no action has been taken against anyone other than Prince Sirivudh.

2 Held at Taiwan Political Rally

TAIPEI — Two men were arrested after a loaded pistol was found in their car near a campaign rally in central Taiwan attended by President Lee Teng-hui, state television and radio said.

The police and the president's security personnel said Saturday they found the two "suspicious" men when Mr. Lee's car was leaving the campaign headquarters of a ruling Nationalist parliamentary candidate in the central Taiwan town of Yuanlin.

Parliamentary elections are set for Dec. 2, and the first direct presidential elections for March 1996. (Reuters)

Dhaka Fears Election Violence

DHAKA (Reuters) — Bangladesh's Election Commission said it might call in the army to help keep parliamentary elections peaceful as the feuding opposition and government prepared for a showdown.

Opposition parties have threatened to boycott elections under Prime Minister Begum Khaleda Zia. They want her to step down and allow the polls to be supervised by a neutral caretaker authority, preferably one headed by Chief Justice Abu Taher Mohammed Afzal.

(Reuters)

VOICES From Asia

Donald Tsang, the Hong Kong financial secretary, on talks with President Jiang Zemin of China about colony's status after Beijing takes over in 1997: "He assured me personally that the policy of Hong Kong people running Hong Kong was well enshrined as a national policy of China. He also mentioned to me that this is a commitment of the entire leadership of China — to one country, two systems. To me, that was very reassuring."

Chen Jian, a Chinese Foreign Ministry spokesman, on the possibility of resuming talks with Taiwan: "Such a condition for resumption of talks is not yet ripe." (Reuters)

Doug Eu, of Jardine Fleming Investment Management, on Chinese companies whose shares trade in Hong Kong and fell sharply last week to a record low: "I'm just not comfortable enough to pull the trigger and buy yet." (Bloomberg)

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BUILDING A NEW BERLIN

Berlin, once the symbol of Germany's profound division, is creating a new role for itself as a vital expression of unity. Adding to its long-time role as a lively cultural center, Berlin is now set to become the headquarters for many of the country's most important government offices and other organizations. New architectural landmarks throughout the city reflect this exciting evolution.



The Bürohaus Berlin, new Berlin headquarters of Germany's Social Democratic Party (SPD), is one of the leading projects in the city's fast-paced development program.

BERLIN IN 1995: A NEW IDENTITY TAKING SHAPE

An estimated 3,000 construction sites, some of Europe's most spectacular projects and a new kind of tourism mark today's Berlin.

Berlin's residents refer to it, rather sourly, as "construction-site tourism." Most of the "tourists" are in fact the city's commuters picking their way through the labyrinths of ramps, redirected streets and running fences now forming Berlin's cityscape.

By way of compensation, the city's 300-odd major building sites – comprising a collective investment volume pegged at anywhere from \$20 billion to \$40 billion – offer daily onlookers a number of entertaining, even enlightening items.

Most visible among them are a rash of huge, garish billboards and cut-out displays. According to Gerald Blomeyer, joint CEO at Blomeyer & Milzkott, Berlin's urban development specialists, "After months of seeing a succession of 10-meter-tall actresses and gorillas and ice cream cones sprouting from the sites, many local commuters have developed quite an avid 'What's next?' curiosity."

"This curiosity of course centers around the buildings themselves. As the commuters have watched these buildings go up day by day, stone by stone, story by story, they have often acquired well-informed views as to 'their' buildings' particular architectural merits and flaws in the process," Mr. Blomeyer adds.

The collective scope of this architectural innovation is enormous, points out Eberhard Diepgen, Berlin's mayor. "No doubt about it. Berlin is currently the world's largest architectural laboratory," he says. "Our new center [the city's central governmental and business district] alone features the work of some 150 architects from eleven countries."

Many of the construction-site tourists have a more than idle interest in the sites' progress and contents. One such group is made up of executives from Daimler-Benz, Sony, Allianz, ABB and more than one hundred other international companies. Over the last five years, each of these companies has invested hundreds of millions, even billions of marks in office, residential and shopping complexes in Berlin that are now nearing completion. Investors are waiting for a pay-off flow of tenants, shoppers and customers to materialize.

Ad hoc clusters of local residents, foreign urban planners and ecologists from everywhere form another major category of tourists. The planners have come to study Berlin's 22 major neighborhood redevelopment projects, each of which

alone ranks among the largest and most important in Europe. For the local residents, the success of these projects – their ability to create new jobs, housing, recreational facilities and transport links – is crucial. Ecologists are also watching closely to see whether the developments have a positive or negative impact on the environment.

Relocating government

Government officials, from both the city-state of Berlin and the federal government, comprise another coterie of vitally interested tourists. Overcoming a period of quibbles and delay, the relocation of Germany's federal government to Berlin is now in full swing. Ten ministries, the Bundesrat

(Germany's parliament of state governments), the chancellor's office and dozens of other federal-level agencies and the 25,000 people staffing them are set to be in their new Berlin offices by no later than 2000.

The municipal officials are there "to get a preview of the city's future," Mr. Diepgen says. "Berlin is a city in the process of reinventing itself, re-engineering its business base, its topography. The construction sites – each in its own way – are the venues of this reinventing and re-engineering."

"The one common feature shared by all the city's major projects is a heterogeneity of use, of occupant, of density, of design and of ambition," says Mr. Blomeyer. "Throughout the city, and especially in the new center, developers are striving to marshal all of the constituent elements of the well-tempered urban life into diverse, open-ended systems. Or, to put it another way, they have been striving at all costs to avoid the creation of urban monocultures and architectural monoliths."

"In our case, this espousal of heterogeneity did not occur consciously. Rather, it was mandated by the divergencies

among our sets of goals," says Inge Wettig-Danielmeier, treasurer of Germany's Social Democratic Party (SPD), the developer of Bürohaus Berlin, the SPD's new national headquarters. The 130 million Deutsche mark (\$91.5 million) project is located in the southern reaches of the city's new center. "We wanted to put up our new office building as quickly as possible, to show the SPD's support for Berlin as the country's new seat of government and as a new center of economic development in a very concrete, highly visible way," she says, adding: "At the same time, we wanted to plan a wide diversity of uses into the building. That required coming up with a design containing a wide variety of facilities and features, a process that is generally quite time consuming."

Environment and business

The SPD was also determined to create a building that adhered to the most stringent environmental standards while also being a functional and efficient place in which to do business. "Actually, instead of conflicting, it turned out that our goals have nicely dovetailed," Ms. Wettig-Danielmeier says. "Our building features a large-size atrium, which is a key part of our energy- and ambient light-conservation system. This atrium has proven to be quite an attraction to potential investors, who prize the spacious, airy feel it gives to offices and common space."

"Time constraints led us to plan concurrently for all of the building's future occupants – our national headquarters and various party-related think-tanks, plus corporate tenants and shops," Ms. Wettig-Danielmeier adds. "New simultaneous uses emerged. For instance, our conference center, seating 500 people, is also available for use by the building's other occupants."

The new Bürohaus, as one of the first of Berlin's new mega-projects to near completion, has attracted widespread interest among visitors. To capitalize on this, builders and developers of other projects in Berlin have put up life-sized, canvas-and-wood mock-ups of their future office buildings, hotels and shopping complexes. Some even come packaged with elaborate shrouding and crinoline.

"Must be a Christo after-effect," says one perceptive construction-site tourist.

SHIFT FROM BONN TO BERLIN: NEIGHBORHOODS IN FLUX

The so-called "federal effect" is the subject of fervent debate in Berlin and Bonn.

A bit more than half of Germany's federal government will be moving from Bonn to Berlin between 1998 to 2000, including the office of the chancellor, the Bundestag (Germany's parliament) and the Bundesrat (the parliament of Germany's states), the three key

centers of political power in the country.

The "federal effect" involves the federal government's "camp followers" – international media, lobbyists, professional associations, diplomats and political groups. While analysts attempt to gauge how many of

these will move from Bonn to Berlin, one of the move's ramifications has already become strikingly evident: The federal effect has created an entire generation of first-time property developers and owners.

Many of the new arrivals in Berlin have grasped the

opportunity provided by the move, relocating to larger and better equipped premises, or upgrading themselves from tenants to owners. The collective impact of their decisions has been to alter Berlin's economic geography.

"We're seeing quite a bit of [change related to the government's move] in our neighborhood," says Inge Wettig-Danielmeier, treasurer of Germany's Social Democratic Party (SPD), a pioneer among this new breed of property developers.

Bürohaus Berlin
Reportedly the largest real estate-related project in the political party's history, Bürohaus Berlin, the SPD's new national headquarters building, will be completed at the end of the year. "A building housing a number

of national professional and trade associations is going up right next door to Bürohaus Berlin. A whole range of media and other communications-related service companies have set up shop in Kreuzberg, which is immediately to the east, helping make that area Berlin's new center for such services," she adds.

From 'out' to 'in'

Once West Berlin's out-of-the-way home of unbeatable cheap rents and artists of all description, Kreuzberg is now one of the new, Wall-less Berlin's up-and-coming districts. Despite this gentrification, Kreuzberg has managed to retain its lively arts scene and its picturesque mix of ethnic groups.

Schöneberg, to the south and west of the Bürohaus,

didn't require much gentrification. Long one of West Berlin's prized residential neighborhoods, it has witnessed an influx of new hotels and restaurants in the post-war era.

"The maturing of the building's surroundings did of course represent a bit of beginner's luck," says Ms. Wettig-Danielmeier. "Our luck has also extended to the selection of the persons working on this project. Prominent among them is of course the building's architect, Helge Boerner."

Celebrated architect

Based in Berlin and Wiesbaden, Mr. Boerner is one of Germany's most celebrated architects. His vision of an office building exemplifying a modern urbanism was originally formulated in the early 1980s, for Berlin's

figuration, is precisely what we have to offer."

On January 1, 1996, Bürohaus Berlin will be officially inaugurated, bringing a four-year period of intensive activity and learning an end for the SPD.

"I think the one prime lesson coming out of this period for us," says Ms. Wettig-Danielmeier, "is how few people it really takes to realize a project, even one of this size. These few people, of course, do have to possess the right expertise and amount of dedication."

COUNTING CONSTRUCTION SITES

Just how many construction sites are there in Berlin these days? "One figure we know for sure: There are 900 building sites in Mitte [the city's downtown district]," says Ralf Schlichting, spokesperson for Berlin's housing and building ministry.

How about the figures of 1,400 construction sites in Mitte as counted by an indefatigable reporter for the Süddeutsche Zeitung – and 3,000 for Berlin as a whole?

"It all depends on what you consider to be a site," says Mr. Schlichting.

While such billion-mark mega-projects as the Friedrichstadt-Passagen office/apartment/shopping complex make everybody's list, such relatively small-scale ones as the revamping of individual apartment buildings are often overlooked. However they are counted, new construction projects are changing the face of the city.

"BUILDING A NEW BERLIN" was produced in its entirety by the International Herald Tribune's advertising department. It was sponsored by Verwaltungsgesellschaft Bürohaus Berlin Siresemanstrasse/Wilhelmsstrasse mbH. WRITER: Terry Swartberg, a business writer based in Munich. PROGRAM DIRECTOR: Bill Maher.

MONDAY, NOVEMBER 20, 1995

EDITORIALS/OPINION

International Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Make Peace Now

Encouraging hints issued from the Bosnian peace talks in Ohio this past weekend. The talks are to conclude Monday, with either an accord or an admission of defeat. Each passing day has slowed the momentum for peace and complicated the logistics of peacekeeping as a new Balkan winter gathers force. It is time to make peace.

The United States invited the leaders of Bosnia, Croatia and Serbia to Dayton to agree on peace terms, not to replay the issues of the 43-month-old war. Yet Bosnian and Serbian hard-liners have clung to long-held positions on Sarajevo, eastern Bosnia, land corridors and war crimes prosecutions.

The Serbs want Sarajevo divided between themselves and the Muslim-led government, and they want Gorazde, the Bosnian government's last eastern enclave, turned over to them. They demand that the corridor linking their eastern and western holdings be widened to permit supply flights, and they insist that international war crimes indictments against their leaders be quashed or ignored.

The Bosnian government, for its part, wants Sarajevo united, the lost eastern towns of Srebrenica and Zepa restored, the east-west corridor closed and indicted Serbian leaders prosecuted.

The answers to most of these territorial questions should flow from the present military map. The balance between government and Serbian forces is as close to even as it is likely to get.

A peace based on current lines would be the easiest to enforce, since no territory would have to be wrested away from anyone now holding it. Such a solution would not reflect perfect justice, but it would mark a big step in the right direction.

Sarajevo's status should be defined for now using the concept already applied to Bosnia as a whole — constitutional unity with provisions for temporary partition. Gorazde ought to remain in government hands, Srebrenica and Zepa under Serbian control.

The east-west corridor should remain at its present width. Indicted war criminals should remain subject to arrest, with any country sheltering them subject to sanctions. They should be barred from running in future elections.

Peace has come this close because of sharp recent shifts in the military balance and a concerted diplomatic effort by the Clinton administration. Unless an agreement is locked up, these favorable conditions could quickly evaporate. The moment to make peace is now.

—THE NEW YORK TIMES.

A Harsh Bill

The Republicans have fulfilled their campaign promise by approving a "reconciliation" bill that eliminates the U.S. deficit in seven years without gimmicks. The bill, which changes entitlement programs and taxes, is not devoid of merit. For example, it targets two programs popular among Republicans, Medicare and farm subsidies. But the bill is also needlessly harsh and horribly unfair. President Bill Clinton's veto pen is the final defense.

President Clinton has moved toward much of the Republicans' plan — its seven-year horizon, huge tax cuts, large Medicare cuts and the end of federally guaranteed cash aid to the poor. But the bill goes far beyond anything he has endorsed. It punishes poverty programs and shovels tax cuts to the rich. The president has to draw lines where the Republicans have gone too far. Here are five such areas.

The Safety Net. Under the bill, Washington would turn over a fixed block of money to states for welfare, but no longer pump more money into states experiencing soaring welfare rolls during recession. Sadly, Mr. Clinton will go along. But he must then insist that Congress preserve other parts of the safety net, such as food stamps and Medicaid, for every poor family. Congress could put a cap on, for example, Medicaid spending per recipient. That way, Congress limits its outlays but provides added help to states with rising poverty.

Means-Tested Spending. The Republicans would cut spending on food stamps, school lunches, Medicaid, foster care and other programs for the needy by about 25 percent. Yet these programs represent only 13 percent of the federal budget. Slamming the poor twice as hard as everyone else is unconscionable.

• Legal Immigrants. The Republicans

would deny legal immigrants Medicaid, food stamps, cash aid and other services for at least five years. Mr. Clinton should insist that sponsors of legal immigrants assume financial responsibility for keeping them off poverty rolls. But if sponsors go bankrupt or die, immigrants, who pay taxes like everyone else, should qualify for at least food stamps and Medicaid.

• Medicare. The bill invites retirees to leave traditional Medicare to set up — with government money — medical savings accounts, which combine catastrophic coverage with tax-free deposits from which to pay ordinary medical bills. The bill also loosens the antitrust laws governing voluntary associations of doctors. The combination of these two provisions would be deadly. Doctors would flee traditional Medicare and serve only healthy and wealthy retirees, at inflated prices no one else could afford.

• Capital Gains Taxes. The Republicans want to immunize investors from the impact of inflation, a protection they would not extend to bondholders or anyone else. The bill would also needlessly cut taxes on the sale of old investments. The first provision would wreck the tax code. The second would provide a multi-billion-dollar giveaway to wealthy investors. Both warrant a veto.

• The Republicans themselves could meet these tests by massively scaling back their tax cut and defense plans. Even if they agreed, however, their budget plan would still be unsatisfactory. It would spend too little on public investments in infrastructure, worker training and research and too much on subsidies to corporations, dairy farmers and other special interests. But at least with these modifications the bill would be less cruel.

—THE NEW YORK TIMES.

Chemical Ban Stalled

Nearly three years ago, under President George Bush, the United States signed a treaty banning chemical weapons. It is the most powerful and comprehensive arms control agreement ever negotiated. But it is making no progress toward ratification by the United States because Senator Jesse Helms, the chairman of the Foreign Relations Committee, doesn't like it. Although it was written under American (and Republican) leadership, there's now a real chance that the treaty could go into operation without American participation.

This treaty — the Chemical Weapons Convention — will take effect six months after the 65th country ratifies it. El Salvador, which ratified it late last month, was No. 42. If it takes effect without American ratification, the United States will suddenly have no influence over the rules of the monitoring organization now being set up in The Hague. There will be no American inspectors. The United States will have no access to the inspection reports.

In addition, the impact on American trade would be severe. The treaty permits unrestricted trade in chemicals among the countries that are parties to the pact because they will have agreed to allow immediate inspection of any facility, military or civilian, at the request of any other party.

But there will be tight restrictions on shipments of chemicals to any other

country and, after three years, a complete ban on a long list of substances that are potential chemical weapons or ingredients.

The United States would find itself isolated in the world chemical industry, operating under regulations that it intended to apply to renegades such as Libya, Syria, Iraq and North Korea. The American chemical industry has consistently supported this treaty and from the beginning has provided the negotiators with valuable technical advice. It doesn't deserve this outrageous punishment.

Poison gas is an abominable weapon, not least because it is more effective against civilian populations than against troops in battle. The United States decided several years ago to get rid of its chemical weapons regardless of what the rest of the world did. The American armed forces have other and better weapons.

Opponents of this treaty object that Russia's behavior is suspicious. But if the Senate votes for ratification, Russia will be under pressure to do the same. If it does, it will have to agree to unlimited inspections that go far beyond anything provided in the nuclear agreements. If Russia doesn't ratify, it will be isolated from trading in a wide range of chemicals. In either case, the result could only benefit the security of the United States — not to mention Russia's neighbors.

—THE WASHINGTON POST.



International Herald Tribune

ESTABLISHED 1887

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Direktor de la Publicación: Richard D. Simmons
Directeur Adjoint de la Publication: Katherine P. Darro

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U.S. Advertising Office: 63 Long Avenue, London WC2, Tel. (171) 836-8007 Fax: (171) 240-2254
U.S. Advertisers: 100,000 F. RCS Nanterre B 73202126 Commission Paritaire No. 61337
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China's Political Sclerosis May Undermine Vitality

By Philip Taubman

SHANGHAI — Ding Fa Zhang, the editor of The Xinnen Evening News, a lively Shanghai tabloid that eschews political coverage, says business is so brisk he hardly knows how to spend the profits. With the paper's ad space booked three months in advance, Mr. Ding has become a construction tycoon, plowing the paper's surplus income into new office buildings.

Lei Yang, a Dale Carnegie instructor and general manager of a Shanghai dairy products company, is developing new ice cream treats that he hopes can match the popularity of the Crunch Bar, a mixture of ice cream and crushed Oreo cookies that was this year's surprise seller. His manufacturing plant is in Pudong, a sprawling East Shanghai corporate and industrial zone that just a few years ago was undeveloped farmland.

Liu Bo, the executive vice president of the Shanghai Stock Exchange, recently returned from a visit to New York, where he consulted with Wall Street executives on how to increase the trading volume in Shanghai and develop a market for mutual

funds. The Shanghai exchange is still recovering from a disastrous collapse in the last 15 years.

Shanghai shows all the signs of China's breakneck economic expansion, one of the many boom-or-bust cities driven by Beijing's turn toward market economics. But just under the bust there is an unsettling reality. Many of the basic building blocks of a modern market economy are still missing. The currency is not yet convertible. The banking system is antiquated and unsound. Financial regulation is largely absent, commercial law is rampant and corruption is rampant.

Most important, China's economic center of gravity is not the stock market or the banks or the hundreds of new companies. It is the Communist government in Beijing, which is still churning our laborious five-year plans and subsidizing a huge network of unprofitable state enterprises. The system essentially is a command market econ-

omy, a schizophrenic formula designed to fuse communism and capitalism.

The government's role remains ubiquitous, as Beijing meddles in every area of economic activity. Before Motorola could open a plant to make cellular phones and beepers in Tianjin, the U.S. company needed the approval of Beijing. If municipal officials in Shanghai want to revise the tax incentives that have attracted business development in Pudong, they need a policy change in Beijing. Even Mr. Ding said he would not ask reporters to investigate police corruption because that would violate journalism standards set in Beijing.

While heavy, the hand of government is not always steady. Beijing recently canceled \$6 billion in tax rebates promised to export businesses under a value-added tax imposed in 1994. Many companies had counted on the payments to turn a profit this year. The government has slowed economic reform by abruptly demanding a greater share of provincial tax revenues and more control over the establishment of joint ventures.

China's novel modernization formula has produced explosive expansion over the last 15 years. In cities where sleek new buildings crowd the skyline and the ping of beepers and cell phones competes with conversation in elegant restaurants and hotel lobbies, it is easy to forget that China remains a Communist state. But during a visit to Beijing, Tianjin and Shanghai, I could not help wondering whether China's advanced case of political sclerosis would eventually undermine its economic vitality, particularly if an improved standard of living leads to renewed agitation for more freedom and democracy.

The Chinese leadership, for all its economic innovation, remains a fervent keeper of the Communist political faith. Li Zhaoxing, a vice foreign minister, captured the unyielding spirit of several meetings with senior Chinese officials when he explained that China's constitution protects freedom of speech but not the rights of dissidents. "A citizen is a citizen, a criminal is a criminal," he said with a cold smile.

The New York Times.

When It Comes to Defense, America Lacks a Coherent Strategy

By Stephen S. Rosenfeld

WASHINGTON — America is thinking on defense is mixed up. There is a gap between the war threats the military wants to plan for and those politicians seem prepared actually to meet.

The same Congress that is appropriating \$7 billion more for the Pentagon than the administration sought — the better to maintain American global leadership — is resisting presidential appeals on the litmus leadership issue of putting peacekeeping forces into Bosnia. Presidential guidance on national security issues tends to the uncertain, congressional guidance

on Foreign Affairs, defense spending is now gaining ground on domestic discretionary expenditures.

Mr. Korb reminds us of the relevant numbers. The United States is now spending \$262 billion annually on defense — 37 percent of the global total. Its allies account for an additional 30 percent. Russia spends \$80 billion. China something over \$7 billion, the rogue states combined about \$15 billion.

Numbers are, well, numbers.

But they are accepted as indicators of relative capacities and intents. They add up here to great American advantage.

Now, when you look around, do you find much support for the Clinton administration's initially plausible theory, put forward after the Gulf War, that ought to be considered mandatory for significant policy turns. This is how defense came to be spared a role in deficit reduction.

The principal threats and tasks now lie elsewhere: rogue state power plays, nuclear proliferation

and terrorism, ethnic strife, humanitarian catastrophe. Bosnia-type peacekeeping.

America's uniformed military leadership now suggests changing the emphasis of American defense planning from readiness to weapons procurement. As some one who puzzles over how many lightbulbs to buy ahead at home, I am not one to fault this recommendation. But it seems a long way from grappling with the new core defense issues.

Starting with the issue of gays in the military, President Clinton has fumbled away a personal claim to assert a coherent defense policy.

Leading congressional Republicans have seized upon his discomfort to define a post-Cold War global environment of pervasive danger and struggle. In this fevered vision, a fear of chaos replaces the old fear of communism. The outcome is a similar sense of embattlement and crusade, and a certain increased readiness to spend more on the military.

The emerging conservative or-

odoxy showed its muscle by besting not only the Clinton Pentagon but also Republican "cheat hawks," including the House Budget Committee chairman, John McCain, and Senator John Korb, in the fight over buying more B-2 bombers. But the signature cause of this movement — Mr. Korb calls it the foreign policy equivalent of the abortion issue — is early deployment of a full national missile defense.

In the prevailing circumstances, it is good to hear a few voices with proven strong-defense credentials and a readiness to cope with change. Mr. Korb is one. He would move toward an annual \$40 billion in cuts (from manpower, readiness, hardware and so on), leaving the Defense Department a healthy world-high \$220 billion to \$225 billion and applying the savings partly to buy more airlift, sealift, minesweepers and missile-firing ships.

Another is the Reagan-and-Bush Pentagon alumnus Seth Cropsey. He writes in the Heritage Foundation's Policy Review:

"A missile defense is only

one thing that this administration is ignoring in order to keep the military as ready as it needs to be during the Cold War. America now has within its technological grasp the ability simultaneously to reduce defense spending and construct a military that can move swiftly to any part of the world, and from a safe distance wield decisive conventional power. This is the kind of force that we should be building, not a smaller version of the Cold War model."

Defense has been the dog that didn't bark during the season's budget battle — the category that escaped the knife, escaped yielding up its "share" to deficit reduction, even got fattened up a bit. Of course people like Mr. Korb and Mr. Cropsey are not in defense just to cut it. They want not only a sensible defense budget but a plausible defense policy. They leave much to be argued out. As it happens, the interesting people in the argument are mostly Republicans. They control the intellectual as well as the political gate to new ideas.

The Washington Post.

By-the-Book Interpretations of Judaism Can Be Literally Lethal

By Thomas L. Friedman

WASHINGTON — Listening to the debate in Israel in the wake of Yitzhak Rabin's assassination, I hear a question being asked that was never asked before: "Is Judaism a threat to Israel?"

That profound, troubling question arises from the fact that Yigal Amir, Mr. Rabin's assassin, was a product of the best religious-Zionist schools in Israel. How could that system have produced such a person and his accomplices?

The answer, say some religious-Zionist scholars, is that too many of their schools and rabbis give more emphasis to the value of land than to the value of life. They stress Jewish teachings

about preserving sovereignty over the land of Israel more than Jewish teachings that say he who sheds the blood of another human being destroys the image of God in the world.

For Yigal Amir, Mr. Rabin was the enemy because he was ready to trade land for peace — and, as Mr. Amir told the court, he had always been taught that "according to Jewish law, you can kill the enemy. My whole life I learned Jewish law."

Mr. Amir's comment is a reminder that Jewish traditions, sacred texts, the Talmud and Bible

by themselves cannot shape a moral human being. They require living teachers who interpret the tradition and mediate what it is about.

Rabbi Shlomo Gordon, former chief rabbi of Israel, once said that democracy was not a Jewish value. Rabbi Abraham Kook, Israel's first chief rabbi, argued that it was. It all depends who is interpreting the texts.

"Jewish texts by themselves, not mediated by people who have a profound respect for democratic values, will turn into a moral barbarism," argues Rabbi David Hartman, one of Israel's leading

moderate religious scholars. "If that happens, Judaism will be a threat to the future of Israel."

It doesn't have to be that way. As Rabbi Hartman notes, there has always been a strain of religious-Zionist thought, unfortunately, which argued

that fundamentalism where they think that by giving money to fundamentalist Orthodox yeshivas they are somehow saving their own grandchildren, and that by preserving the most anti-modern forms of Judaism they are preserving the authentic religion.

No. Fundamentalism is not the only form of Judaism. As Rabbi Hartman notes, Judaism has always been a religion that absorbed new values while maintaining its core. After all, it was the great Jewish teacher Maimonides who incorporated the teachings of Aristotle into Jewish thought.

So donors to Israel should ask themselves this: Are you funding Yigal Amir's teachers and their interpretation of Judaism, or are you funding an interpretation that embraces modernity and coexistence?

INTERNATIONAL

Bomb Blasts Egypt's Embassy in Pakistan

Compiled by Our Staff From Dispatches

ISLAMABAD, Pakistan — A car bomb ripped through the Egyptian Embassy here Sunday, killing at least 14 persons and wounding about 60, Pakistani officials said.

Pakistan denounced the midmorning suicide bombing.

"This is an act of terrorism; we are sorry," President Farooq Leghari said as he visited the wrecked embassy in the Pakistani capital's diplomatic enclave.

Prime Minister Benazir Bhutto sent a message to President Hosni Mubarak of Egypt, saying her government "condemns the perpetrators of such heedless violence and will do everything possible to bring them to justice," the state news agency said.

Three militant Islamic groups in Egypt took responsibility for the bombing. Claims were received by international news organizations from the

Gama'a al Islamiya, Islamic Jihad and the International Justice Group. More than 880 people have been killed in Egypt since 1992, when the Gama'a launched a violent campaign to overthrow President Mubarak and install an Islamic state.

In Cairo, Mr. Mubarak condemned the bombing as an evil crime "in opposition to all spiritual and humanitarian values." The attack was the worst on an Egyptian target abroad in years.

Moans and screams from injured workers, some trapped in the rubble, could be heard outside the embassy compound as rescuers worked to clear debris.

The blast occurred in the morning, when the embassy was in full operation.

Ambassador Mohammed Noman Galal was shaken but unhurt. The ambassador was in his residence, located

behind the embassy building, at the time of the explosion.

Pakistan's Interior Minister, Nasrullah Babar, told Parliament that 14 men had died, including five Egyptian officials, two of them diplomats. The rest were seven Pakistanis, an Afghan and one of unknown nationality. The Egyptian Foreign Ministry in Cairo said 15 persons died.

Pakistani officials called the attack a suicide bombing but gave different accounts of how it happened.

A police official said a bomb was first thrown at the embassy gate, apparently to clear the way for a suicide bomber, who drove a vehicle packed with explosives into the compound.

According to the details available so far it was a terrorist act apparently perpetrated by a suicide bomber who may have blasted his way through the gate and set off a high explosive device in a

pickup van," Foreign Minister Aseff Ahmad Ali said in a statement.

But Mr. Babar said that, because the blast occurred inside the compound, the attack could have been carried out by people known to the embassy who were allowed into the premises.

The blast tore a crater about 20 feet wide inside the embassy compound.

The bombing was the boldest militant operation since gunmen opened fire on an armored limousine carrying Mr. Mubarak to a conference in the Ethiopian capital, Addis Ababa, in June. The Islamic Group also took responsibility for that attempt and, last month, for a bombing in the Croatian port of Rijeka that killed one person and injured 29.

Last week, an Egyptian diplomat was shot and killed in an underground parking garage in Geneva, where he worked at Cairo's mission to the UN. (Reuters, AP, WP)

LANGUAGE

A WASHFAX on Spookspeak

By William Safire

WASHINGTON — Neither the CIA nor any of the SIBs knew that this article was being prepared for publication. Transmitted outside the WASHFAX, it has not appeared in the latest SNE and was done with no knowledge in Deutschland.

"Deutschland" is what the surly set at the Central Intelligence Agency calls the mole-shocked agency in its post-Ames era. John Deutch, the new DCI (director of central intelligence), is a hearty fellow from MIT and the Pentagon, given to hugging and back-slapping insecure case officers, who suspiciously refer to such physical reassurance as "the hug of death."

As the agency staggers from being penetrated by the KGB to being rigorously examined by CODELS (Congressional Delegations), one element of its culture remains sacrosanct: spookspeak. In the land of acronyms, we now have FUSS (Fleet Undersea Surveillance System) and FORMICA (not the counter-top material, but Foreign Military Intelligence Collection Activity). But initiatives — without the creative acronymic word-formation — is rampant.

Take it from the top: within the NIC, or National Intelligence Council, there are NIOs, or National Intelligence Officers: the guy who tries to keep the government from any blind-siding by the competition or the media is the NIO for warning. He is in close touch with members of the Strategic Intelligence Board, or SIB, whose brothers under the skin are SIBs, and they all share SNEs — Special National Intelligence Estimates.

A WASHFAX is a secure, encrypted telephone fax line that nobody in the intelligence community trusts. If the communication was until recently WNTINTEL/ORCON/PROPIN, the spooks felt better hand-carrying it over. WNTINTEL meant that remote sensing technology — like a long-distance bug — was used to gather the information. ORCON meant "originator controlled," with the writer to be consulted about future clearances. PROPIN meant "contains proprietary information."

like the formula for Coca-Cola syrup or the sketches for a French designer's collection.

The INT, for "intelligence," is a standard acronym-former: HUMINT is "human intelligence," SIGINT "signal intelligence," which includes "KEYHOLE," the code word for data derived from an imagery satellite, and MASINT, "measurement and signature intelligence," the telltale clues to identify picked up by acoustic, nuclear, and seismic sensors, hand-carried over (not the WASHFAX, stupid) to the ASD (C3I) who is assistant secretary of defense for command, control, communications and intelligence, who was hopped by Deutch and survived. An unofficial usage is RUMINT — for "rumor intelligence," the gossip and scuttlebutt that often proved more reliable than the HUMINT sent in by one of the KGB or Stasi double agents who the DDO (deputy director for operations) thought was working for us.

The word from DODIPP (the Department of Defense Intelligence Production Program) is that PROPIN is no longer used. The intelligence community's sort-of-secret budget (\$28 billion and change) will depend on how well it does on the economic stuff; because its plan is to set up more "front" companies to run agents abroad. Future phony corporate entities like the Deutschland Seismic Sensor and Escort Service will be sourced in agency documents with a word that does not indicate anything to do with "proprietary." I do not include the new code word here because I am not eager to help French counterintelligence.

The key element in many intel estimates is probability. Within the community, the word used for the lowest probability is *conceivably*. A less-than-50 percent chance draws a *possibly*, and just over 50 percent a *probably*. In the 60 to 70 percent range, spooks use *likely*, and in the 80s it gets to *almost certainly*. An estimated sure thing is *no doubt*, a rarity. One member of the community, not in the Defense Intelligence Agency, defines *conceivably* this way: "Nobody but CIA believes this, but if we didn't put it in, they wouldn't coordinate, and we figured it wasn't worth the fight because no sane reader would take it seriously."

New York Times Service

Q&A / Japan's Software Wizard

PCs Are Business and 'Religion'

Masayoshi Son was a software distributor and a computer magazine publisher in Japan last year. This year, he was the host of Comdex, the computer industry's 225,000-person annual trade show in Las Vegas, following his \$800 million acquisition of Interface Group Inc.'s conference division. Earlier this month, he closed a \$2.1 billion purchase of Ziff-Davis Publishing Co., the No. 1 U.S. publisher of computer magazines. Known as the Bill Gates of Japan, Mr. Son, 38, spoke about his 300-year plan for his Softbank Corp. with Mitchell Martin of the International Herald Tribune during Comdex in Las Vegas.

Q. Your two prominent acquisitions have thrust you into the limelight this year. Why has all this happened in 1995? Is it part of your 300-year plan?

A. We were a very private company until last year. We became a public company in Japan in July of last year. Until that time our course of actions were limited in terms of access to capital.

Q. You have described yourself as a Japanese whose family came from Korea three generations ago; 23 generations before that, your ancestors moved from China. Do you consider yourself Japanese, Korean, Chinese or Asian? Or none of the above?

A. I would say I am mixed cultures. I don't think much about that any more. This world is becoming borderless, and I am a personal computer citizen.

Q. Where do you live? A. In Tokyo, but I am coming to the

States every month now. But my family lives in Tokyo.

Q. You and Bill Gates are personal friends. How did that come about?

A. We knew each other for a long, long time through software distribution and publishing. In our industry, there are many people who have a lot of passion that you can feel. I do respect him for that reason, and I hope he feels some kind of sense that I am expressing that.

Just a couple of months ago in Paris, we sat down more than three hours in my suite, just one on one. We took off our shoes, both of us, shared the pizza half-and-half and the spaghetti half-and-half with two cans of Coke. We kept on talking, talking about Internet, about how the PC is going to evolve and what kind of opportunities there are, which companies are going to grow in our industry and which are going to have troubles. I said my opinion and he said his. We kept on talking until almost midnight.

The thing is, I do respect and like the people who love PCs, who love the information industry because it is not just business for us. It is like a religion. We share a common belief. That is important.

Q. If you could put that belief into words, what would it be? Oil is important too, but people don't get excited about it.

A. I think that personal computers and information technology is the extension of the human brain.

All the other industrial inventions and products were extensions of muscles. It's not that exciting. You can run faster, can lift something heavy, that's great. But the

PC is the extension of your intellectual capacity, that has the biggest impact on the way people live.

Q. Las Vegas is stretching to accommodate Comdex. Is it still an appropriate place for the show?

A. When I was just one of the attendees, I was complaining about the taxi lines, now, because I'm on the other side, I feel happy. But there is some level that we should manage, otherwise, if we get over that limit, then people wouldn't come.

Fortunately, Las Vegas is still building huge new hotels and the Convention Center has plans to expand, so many of those issues would be eased.

Q. So then Comdex is staying in Las Vegas for the foreseeable future.

A. We don't have a plan to move out. But we have no religion to stay here, it's just business reasons.

Q. You have said that you want to provide infrastructure for the computer industry that helps technology companies do business and does not compete with them. But your purchase of the Ziff-Davis publications puts you into competition with the other big computer magazine publishers, CMP and International Data Group.

A. Infrastructure is something that you could define in many, many different ways. You could say that a highway or a bridge is infrastructure. But then there is another bridge that you can use. There is another highway that you can use. So there is no 100 percent infrastructure that you have to have.

Those, however, who are hoping for a no-holds barred interview will apparently be disappointed. According to accounts in the Sunday Telegraph, whose editor has close ties to the princess, Diana takes the high road and sticks to the interview, which took place earlier this month at Kensington Palace in London.

Leaked segments suggest the princess will not seek a divorce from her husband, Prince Charles. "There are two children involved here," she reportedly says.

Similarly, the princess reportedly cites the best interests of her two children, William and Harry, in denying that she is seeking to destroy the House of Windsor. Any blow to the royal family, she notes, would ultimately bruise her sons.

Far from using the broadcast to lash out at Prince Charles, who televised confession of infidelity shocked Britain last year, the princess defines a new role for herself.

Part of that new role will apparently include more interviews — two more, in fact, are said already to be in the works.

"I am not going to let the country down," she said. "I am not going to run away."

Since the existence of the interview was first disclosed on Tuesday, the BBC said it had been besieged with bids from broadcasters around the world vying for the right to carry it.

Among the first to sign up were Germany's RTL2 and the ABC television network in the United States. The latter reportedly paid \$1 million for the exclusive American rights for the 60-minute interview.

At least that is what they hoped they were getting. The broadcasters had to bid blind. Only eight people at the BBC had viewed the closely guarded tape, and they remained mum as to its content.

"Rice" is essentially the story of a character called Five Dragons, who, as the novel opens in the late 1920s, travels in a train boxcar to an unnamed, steamy, malodorous riverine city not very far from Shanghai.

Five Dragons has escaped a devastating flood in Maple-Poplar Village, his beloved hometown, and like many young men, he has come to the city to seize a new life. After being beaten by a gang of ruffians on the city's wharf, he follows a rice caravan to Brick Mason Avenue and sleeps on the street outside the Great Swan Rice Emporium. Noticed by Cloud Weave, the elder of the two daughters of the shop owner, Five Dragons manages to get work hauling sacks of rice in exchange for food.

Five Dragons's world changed dramatically when he crossed the threshold of the Great Swan Rice Emporium. Su writes. "He heard the blood flow through his limbs once more, after a long period of quiescence."

In fact, Five Dragons' arrival on Brick Mason Avenue changes everybody's life dramatically, and for the worse, as Su Tong — whose previous novel was "Raise the Red Lantern," made into a film widely shown in the West — slowly unwinds the dark skein of his tale. Eventually three acrimonious generations make their appearance in the Great Swan Rice Emporium, which comes to be dominated by Five Dragons and turned into a minor sort of hell. There are loose

and returned a spade, ruffed with a high trump. South used two trump entries to dummy to ruff diamonds and then cashed the ace of hearts.

When a heart was led from the closed hand, Berkowitz had to decide whether his partner's remaining heart was the jack or a small card. He eventually made the winning play of the nine, defeating the game, for a subtle reason:

North and South had been playing in a similar fashion in this fashion with ace-queen of hearts, so Cohen's correct play with queen-jack would have been the jack, giving his partner the information he needed.

NORTH	EAST (D)
♦ A Q 8 2	♦ K 9 3 2
♦ 8 6 5	♦ Q 7
♦ Q 5 4	♦ A K 8 7 3
♦ 8	♦ 9

SOUTH	WEST
—	♦ A J 4
♦ 9 6	♦ A Q J 10 7 6 3 2
♦ 8	♦ 9

Both sides were vulnerable. The bidding:
East: South, West, North
1 ♠ Pass
Pass
West led the spade four.

Arafat, in Jenin, Calls Peace Safe From Assassins

Compiled by Our Staff From Dispatches

JENIN, West Bank — Yasser Arafat made a celebratory visit Sunday to Jenin, the first West Bank city to gain autonomy under the latest Israel-PLO agreement, and promised the cheering crowd that soon "we shall pray in Jerusalem."

The leader of the Palestine Liberation Organization also told thousands of cheering

Palestinians that they had been "liberated" under a peace deal with Israel that no assassin's bullet could kill.

Jubilant Palestinians whistled and clapped as Mr. Arafat arrived by helicopter Sunday to celebrate the start of autonomy in Jenin.

"In the name of God, we meet here in liberated Jenin," he told the crowd. "Together

we shall build an independent Palestinian state."

Protected by hundreds of bodyguards, Mr. Arafat addressed crowds, then led a cabinet meeting of his Palestinian Authority during a four-hour visit, his third trip to the West Bank since self-rule began in Gaza and Jericho. Security was heavy following the assassination

on Nov. 4 of Prime Minister

(AP, Reuters)

Yitzhak Rabin of Israel. "The peace process goes on," he said. "Nobody will be an obstacle, especially those who use their guns for assassination."

Israeli troops pulled out of the center of Jenin last week. Five more cities and part of Hebron are to be evacuated soon to allow for Palestinian elections on Jan. 20.

(AP, Reuters)

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The writing in "Rice" is strangely wooden at times, especially the dialogue, which too often simply fails to ring true. Life in the rice shop is so devoid of warmth or wisdom or love that the very unrelieved nastiness of its human relations becomes almost monotonous. And yet "Rice" has a grim, satirical power that makes it difficult to put down.

Its characters are mean and treacherous, but also full of a red

NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, Nov. 17.

INTERNATIONAL HERALD TRIBUNE, MONDAY, NOVEMBER 20, 1905

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FLY OUR COLOURS, SMOOTH AS SILK TO THE WORLD

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for which we're renowned.**



SOUTH

GLOBALIZATION CONTINUES, ECONOMY BACK ON TRACK

An influx in imports has spurred local companies to invest more abroad.

When, in 1992, Kim Young Sam became South Korea's first democratically elected president in 30 years, some South Koreans expressed doubts about his chances for success, feeling that the president's reform measures would cause the economy to decline.

Their fears were not realized. After a slump that began in the late 1980s, South Korea is now riding the crest of export-led growth, with particular gains in the steel, electronics, automobiles and shipbuilding industries.

Local corporations are becoming more international, and the country is in general well on the road to achieving the stability and diversity of a fully developed economy, in spite of the scandals involving the previous government that the current government must deal with.

Internationalization campaign The chief goal in the Kim government's *segye-hwa* (globalization) drive — to make South Korea more international rather than simply concentrate on economic growth — was well timed. South Koreans, for perhaps the first time in recent history, have begun to gain confidence in their country's potential to become a major player on the international scene.

Yet the *segye-hwa* campaign has not been without problems. The developed world no longer regards South Korea — with its involvement in the United Nations, the OECD and other international organizations — as a backward country deserving special concessions.

"You can't have it both ways," says Robert Murphy, a commercial attaché at the U.S. Embassy in Seoul. "If South Korea is going to be a global player, it must be a global contender." In other words, it must learn to compete on an

international scale. Koreans in general are favorable toward *segye-hwa*, but some remain skeptical. There are those who claim (along with some foreign observers) that Seoul has done too little to open its markets.

Need for more reforms

Others point out that reforms decided on at the top have failed to filter down to the business community. And some recent moves by the government have added to the doubts. The decision to put the brakes on overseas investment by South Korean companies by requiring them to source at least 20 percent of their overseas investment funding from their own coffers has proved an impediment for some companies.

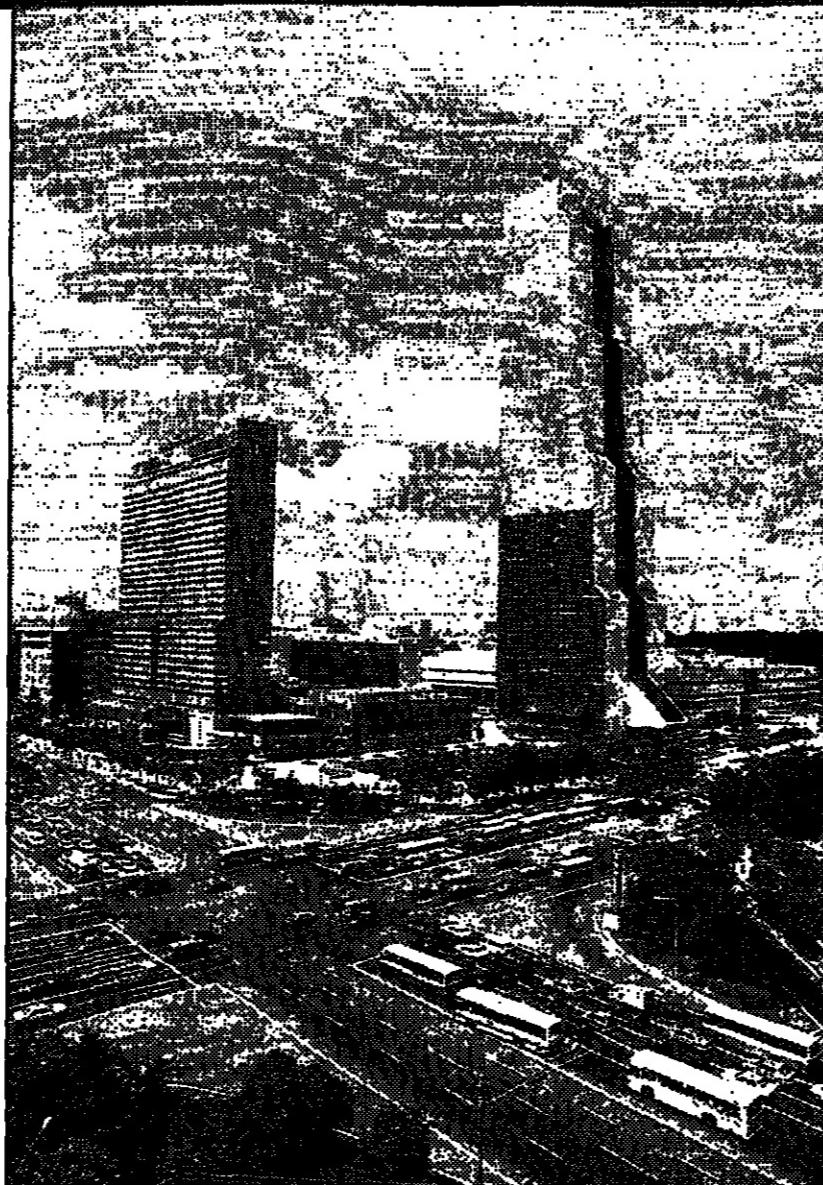
The problem of an unpredictable, underdeveloped North Korea is an additional burden, as is the current kick-back scandal involving former president Roh Tae Woo in which top business and government figures may be implicated.

Deregulation continues

In spite of the problems, deregulation continues. By 1996, foreign investors will be allowed to purchase Korean companies if the majority of the shareholders in those companies agree to the sale. Foreign-owned companies will be listed on the Seoul stock exchange in 1996 as well.

The expected influx of foreign capital, along with increased opening of markets, should further stimulate the stock market next year.

Concerning the financial sector, liberalization has meant that corporations are now relying more on direct financing and bond issues to fund investments in new projects, with commercial banks becoming more active in



Seoul's World Trade Center is only one sign of South Korea's drive to become more closely linked with the international business community.

blue-chip securities. One beneficiary of the new liberalization is South Korea's telecom industry. The monopoly enjoyed by Korea Telecom is set to end next year when 49 percent of shares in the company are to be sold, and 34 South Korean companies are to be allowed to begin operating in this sector. They will be offering personal communications, trunked radio, cordless telephone, paging and other services.

Localization

"Localization" is another important new development. The government, as the June 1995 elections showed, is becoming less centralized, with communities outside Seoul gaining a stronger voice in such issues as economic development and environmental protection.

Investing in infrastructure

South Korean companies are increas-

ingly investing in infrastructure and other projects outside the capital. A total of 8.6 trillion won (\$11.1 billion) is expected to be invested by private companies in domestic infrastructure projects in 1996.

The government, whose own infrastructure investment reached 6.7 trillion won in 1995, a 21.9 rise over the previous year, recently announced an 8 trillion won infrastructure budget for 1996.

Foreign investors have been invited to join in the open bidding for the contract to construct a new international airport off Yongjung-do island.

New spending patterns

Changes taking place in the general economy are affecting South Koreans in other ways. Increased prosperity has

Continued on page 15

KOREA

NEW CONSUMERISM MARKS ECONOMIC COMING OF AGE

Increasingly affluent South Koreans are favoring luxury goods.

Located on the south side of the Han River, Seoul's southern district has the city's most expensive apartments, best schools and most prestigious consumer goods. Luxury items like the likes of Gucci, Dunhill, Cartier and Louis Vuitton fill the area's boutiques.

Spending patterns South Koreans' spending patterns have changed dramatically in the past few years. An average Seoul family in 1995 has an average monthly income of around 1.8 million won (\$2,300) and spends around 1.3 million of that during the month. These new consumers eat out often (usually in trendy Japanese or Western-style restaurants); purchase the latest electronics items like cellular phones, personal computers and wireless pagers; buy late-model cars; travel abroad regularly; and spend a great deal of time and money on sports and other leisure activities.

Taking advantage of these trends, major Western franchise restaurants have been opening throughout the capital. Coco's was a pioneer in South Korea through a joint venture with the local Midopa department store. Asian Star has introduced TGI Friday franchise restaurants, and, during the past two years, Sizzler, Skylark and Planet Hollywood restaurants have opened in South Korea. All these franchises are owned and run by Korean companies, which pay from 2 percent to 3.5 percent of their sales profits to the originators of the franchises.

can recall the devastation of the Korean War, the younger generation, protected from such disasters, is preoccupied with a new brand of consumerism.

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Cellular phones

The local cellular phone market is another example of the new consumerism in South Korea. "The current Korean cellular phone market is like what the U.S. cellular market was five or six years ago," says James N. Wilson, Jr.

Continued on page 13

NEW MODELS POPULAR ABROAD REFLECT COMPETITIVE AUTO INDUSTRY GROWTH

Slowly but surely, local automakers are expanding abroad: South Korea is the world's fifth-largest automaker.

One company's results tell the story: In 1986, Hyundai Motor Co. shipped 3,000 Pony cars to the United States and produced a total of 240,755 cars at its South Korean plant. In 1994, the company produced 1.35 million cars in Korea and 100,000 cars in its foreign plants, and exported 149,207 cars to the United States and Canada combined. Today, Hyundai plans to expand its car production to 2 million per year, including 400,000 cars produced at its overseas plants, by 2000.

Hyundai's entry into the U.S. market was well-timed. American consumers, switching to energy-saving imported small cars, favored Hyundai's Pony as a cheaper alternative to Japanese cars.

"We had waited for 10 years until we could offer our own best model to the United States," says Shin Dong-woo, manager of Hyundai's planning division in the company's Seoul headquarters. "The United States is an important testing ground to test our potential as a car exporter. We knew that if we failed in the U.S. market we would have little chance to export anywhere."

Lucrative domestic sales The growth of South Korea's auto industry involves many factors besides the a successful entry into the U.S. market: Both Hyundai, the country's biggest automaker, and number-two-ranked Kia Motors Corp. have developed their own models instead of merely copying cars produced in the West, thus creating a market niche. Daewoo Motor Co. has proved to be successful at entering emerging markets. And all Korean automakers have reported increased sales to the Japanese market as a result of the high

yen, although the current decline in the yen's value may cut into these sales.

Perhaps most important for South Korean automakers, the domestic market, fast-growing and highly protected from foreign competition, has provided the capital needed for funding research and development.

New scenario This rosy picture may change, however. Aggres-

should produce at least 2 million cars a year and should offer at least five of its own models, with 300,000 cars of each new model produced a year. Otherwise, it will have little chance of survival," says Shin Dong-woo, a manager of Hyundai Motors.

All of South Korea's big three automakers are nearing their goal of making 1 million cars a year, and all now plan to expand capacity to 2 million cars per year in the 21st century. "So far, it has been an uphill battle for us to offer at the right price," says Chung Pil-kyong of Kia Motors. "But, once we start producing 1 million cars a year, we will be in much better shape, as we will have the production capacity to increase profits, and the technology to keep rolling out new models."

New markets Daewoo Motors has focused on developing the new markets of China and Russia. "Our policy focus is to offer contract terms that will best suit their local needs in China," says Kwon Oh-joo, a researcher at Daewoo. Instead of exporting finished cars to these new markets, Daewoo offers its components and technological know-how to local producers.

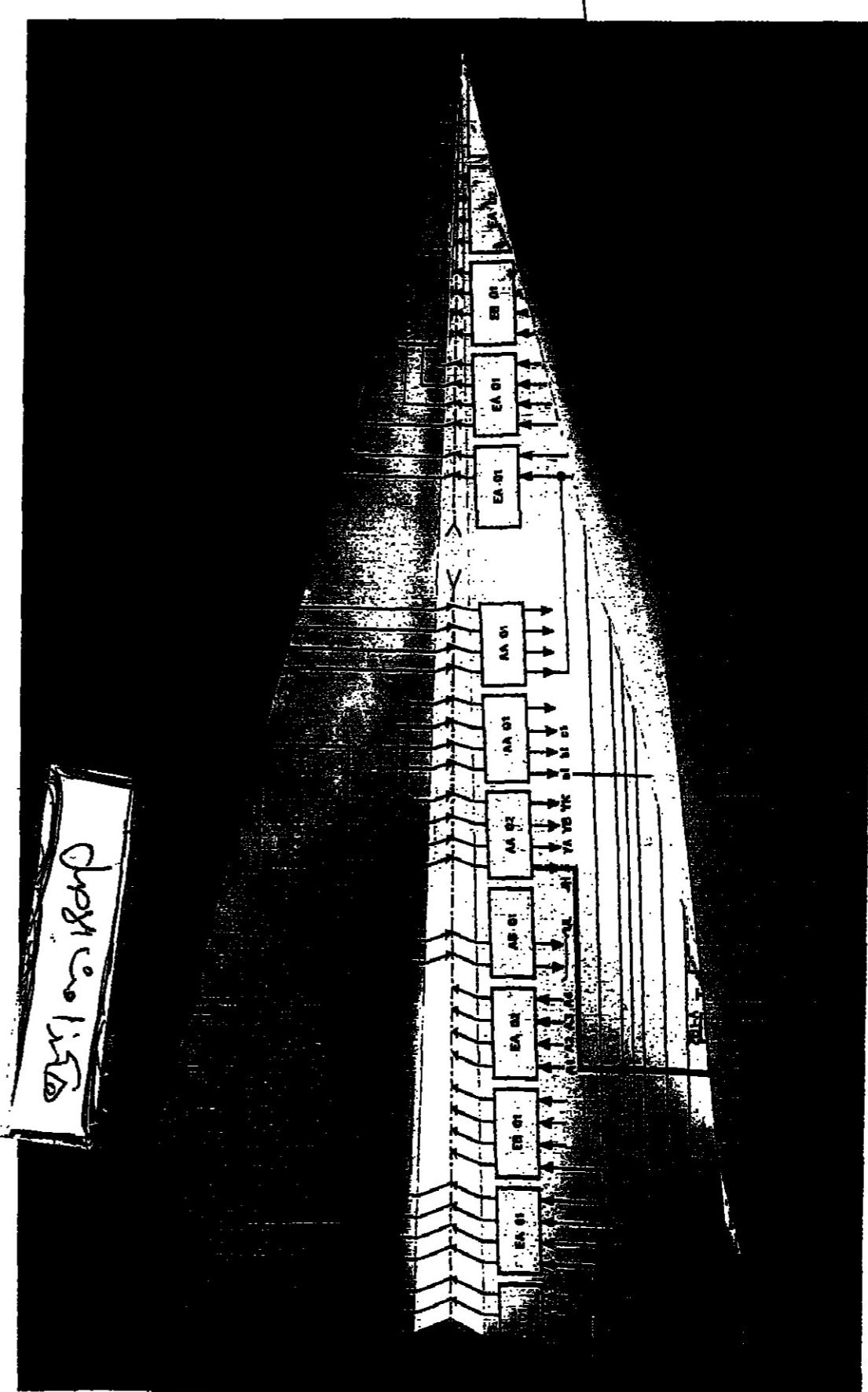
Kia Motors has been South Korea's most active exporter of complete knock-down components to Asia, the Middle East and Africa. Kia also provides its used facilities and know-how in production in return for royalties. Kia's Chung Pil-kyong at Kia says, "The importing countries want components more than finished cars as they want to have their own car industry grow."

Continued on page 14



Roll 'em out: South Korea's auto exports are growing fast.

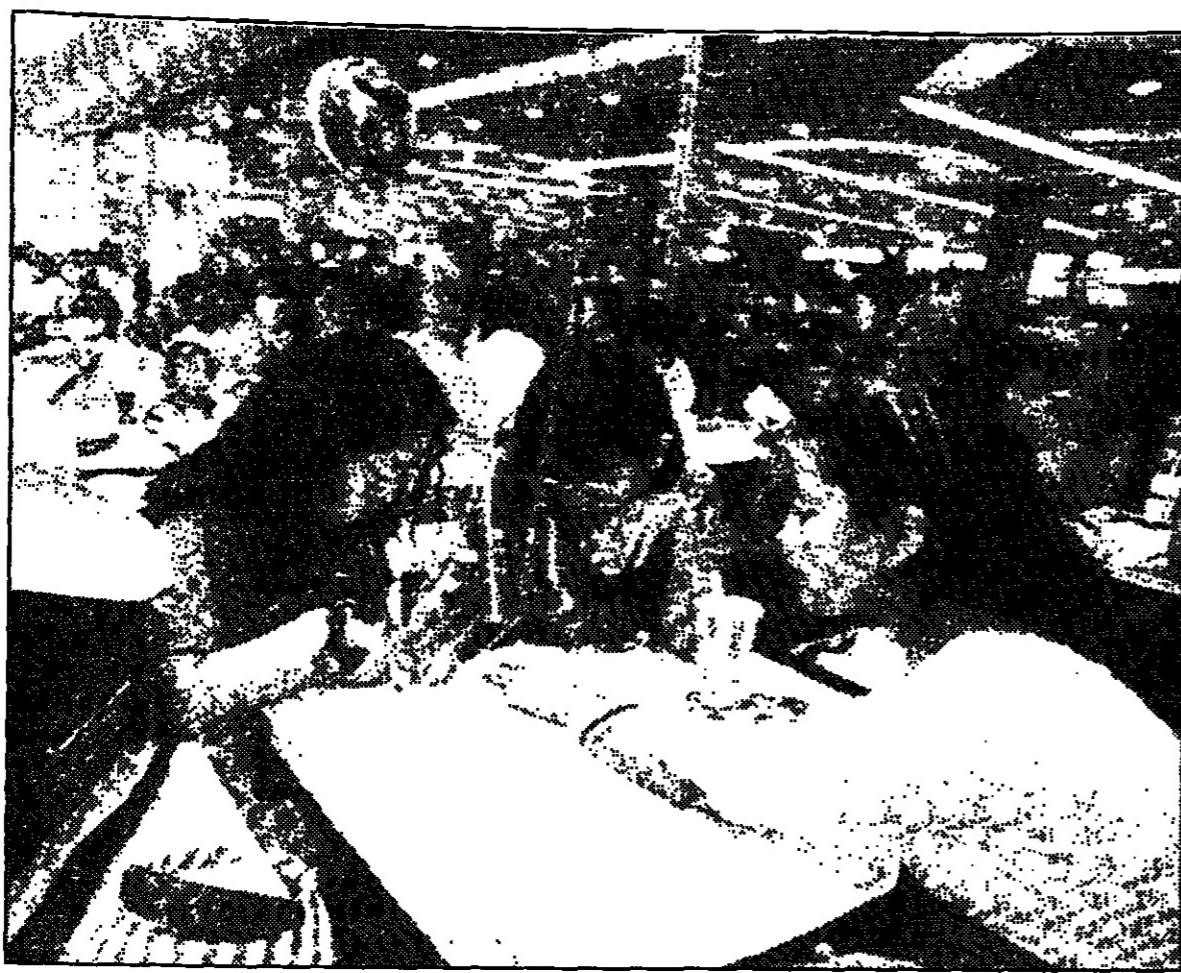
sively priced small cars are proving less popular to quality-conscious Americans than middle-sized cars. And Japanese car companies are proving more competitive in the lucrative U.S. market through their establishment of U.S. production sites. The domestic market is slowly opening to foreign competition. And the rising value of the won will reduce profit margins. The entry of the Samsung group, the South Korea's biggest conglomerate,



Can you see
the global
of technology?

Yes, you can

SOUTH KOREA



Shoppers take a break: Western consumer goods are top sellers in Seoul's shopping malls.

NEW CONSUMERISM REFLECTS ECONOMY

Continued from page 12

managing director of the Korean subsidiary of Southwestern Bell, which has invested in South Korea's second-largest mobile telecom supplier, Shinsegae Mobile Telecom.

Cellular phone market
"The cellular phone market here has grown by 50 percent over the past five years, and is expected to double from 960,000 units sold in 1994 to 1.9 million by the end of this year," Mr. Wilson adds.

In a culture in which drinking alcoholic beverages is an important part of social

and business life, the local drinks market is expanding rapidly. Imports of foreign whiskeys have been allowed since 1993, with consumption growing dramatically. Local companies are creating their own products.

Clean water
South Koreans' preoccupation with the quality of their drinking water has fueled the growth of the bottled water market, which now includes 15 domestic suppliers. Even city officials admit that clean water from Seoul's reservoirs becomes contaminated in holding tanks and pipes. Indeed, virtually no one in the capital

drinks tap water anymore, at least not before boiling it. Sales of bottled water topped 90 billion won last year and are expected to grow by at least 50 percent this year, according to the Korea Mineral Water Manufacturers Association.

Health food has become another top seller. The market for traditional Asian health foods (brown rice, exotic mushrooms, kale, aloe and powder from the antlers of young deer) is growing, as is the market for diet foods of all kinds.

Education is another focus
South Korean parents spend about one-third of their year-

ly salary to educate their children. After-school classes in tae kwon do, violin, mathematics and writing make up part of the total expenditure, with competition to enter the best schools increasing each year.

Many parents prefer to send their children to the United States or Canada for their education. "It has become cheaper to have our son study there," says Kim Mi-hwa, one housewife who recently sent her 15-year-old son to a school in Canada. "It is better for him to be free from the intense competition here. He can also grow into a more open, international person."

Can you simplify the global exchange of technology?

When Thailand legislated that industrial electricity users had to supply their own substations, the local economy didn't have the know-how. ABB reacted

with a swift hands-on transfer of technology. A "Tiger Team" of technicians flew in from Scandinavia and Saudi Arabia, to share skills and experience with Thai engineers, and handled the first project for the Thai Plastic Company. Next, ABB started local assembly and manufacture of switchgear, creating a whole new local industry. The "Tiger Team" remains involved in information exchange, but now the students are teachers too.

As a leader in electrical engineering for the generation, transmission and distribution of power, and in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible.

That means we are close at hand to help our customers respond swiftly and surely to technological challenges which stretch the limits of the possible. Like promoting a local economy to the head of world class technology.

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COMPETITIVE BANKING AND FINANCE WORLD OPENS TO FOREIGN PARTICIPATION

Competition is still new to South Korea's banking and finance sectors, but it's growing.

As recently as 1991, competition was rare in South Korea's banking and finance sectors. Interest-rate restrictions in the past enabled banks to guarantee a certain ratio of interest income. Once a bank had an extensive branch network to attract depositors, local corporations practically stood in line to be awarded loans. The barrier between commercial and investment banking provided highly protected, risk-free profits for banks.

All this changed in 1993, when South Korea gradually lifted ceilings on interest rates for savings and short-term deposits, resulting in a pronounced drop in banks' interest income. At the same time, the government began to dissolve barriers between commercial banks, trust companies and securities companies, thus paving the way for increased competition. By Western standards, South Korea's financial sector remains closed in many ways, but the pace of deregulation has never been faster nor more comprehensive.

Foreign management allowed
In September 1995, the country's Ministry of Finance and Economy announced that foreigners will now be able to take over the management of both listed and unlisted domestic companies, as long as the companies' major Korean shareholders are in agreement. Foreign companies still will not, however, be allowed to acquire companies involved in strategic industries such as defense, nuclear power generation, communications and broadcasting. The Pohang Iron and Steel Co. and the Korea Electric Power Corp. will also be closed to foreign management or ownership.

According to the ministry's announcement, foreigners will eventually be able to engage in hostile takeovers of Korean companies when the aggregate foreign stock ownership ceiling is raised significantly above the current 15 percent. At present, foreigners are allowed to own only a new business that they establish in South Korea, not take over an existing one.

The current 15 percent stock ownership rate for foreigners is in itself a recent advance; it was raised from 12 percent only in July 1995. "For foreigners, most of the blue-chip stocks have already reached the 15 percent ceiling," says Lee Sung-dong, manager of Korea Investment. "The next target [for foreigners] is financially weak small and medium-sized companies that have an R&D growth potential." Blue-chip companies include Samsung Electronics Co. (SEC), which is in a particularly strong position, posting high sales figures and a strong position in the growing semiconductor market; Hyundai Engineering and Construction, benefiting from a new focus on developing the country's infrastructure; and Cho Hung Bank, which holds a 23 percent share of the banking market. U.S. investors now constitute around 50 percent of the foreign investors in the Korea Stock Exchange, but Japanese investors are the most rapidly growing foreign group.

Stock market changes
Observing Korea's stock exchange is like waiting for the pot to boil: Everyone knows it will begin to surge sooner or later, but when? According to some analysts, the Kospi might reach a record high of 1,100 to 1,200 by the end of 1995. Such optimism is based on good prospects for lower interest rates, stable prices, and healthy economic growth. Institutional investors in particular are expected to expand their stock investments. South Korea's market capitalization stands at only around 50 percent of the country's GNP, leaving much room for growth. South Korea's commercial banks can now raise the rates they charge for loans to strategic industries and can also raise deposit rates and sell government bonds. Competition is increasing, not only among the banks but also between them and other financial institu-

tions, including stock brokerage and insurance companies. This domestic competition has proved an impetus for the banks to try to globalize their operations. Cho Hung Bank took the bond route to Europe: On July 7, 1995, the Swiss Bank Corporation and IBJ Asia, acting as joint lead managers, launched the syndication of \$200 million in five-year floating rate notes (FRNs) for Cho Hung Bank, making it the first Korean bank to issue FRN bonds that will be traded as bonds in both Europe and Asia.

Only a few years ago, syndication loans were the major channel for Korean commercial banks sourcing funds from international money markets. "This time, we wanted it [FRN bond trading] to be more liquid, with a broader investor base targeting Europe, and actively traded," says Park Hun-jin, assistant manager of the international finance team at Cho Hung Bank. In another move to internationalize, Shinhan Bank acquired Marine National Bank of the United States for \$1.2 million in September this year in an effort to expand into North America and Latin America. The move made Shinhan the first Korean commercial bank to buy a foreign financial institution on a traditional merger-and-acquisition basis.

The domestic bond market remains the most immune to liberalization. Non-guaranteed bonds of small and medium-sized companies are the only bonds that foreigners are currently allowed to buy. "But, except for a handful of R&D-active small and medium-sized companies, these companies are not interesting to foreigners," says Lee Sung-dong, manager of Korea Investment Trust.

'It is difficult to treat domestic and foreign investors on an equal footing'

Bond -market interest rates

A sharp gap between the interest rates of the domestic and overseas bond markets remains. As of Nov. 6, yields on bank-guaranteed corporate bonds with three-year maturity hit a low of 11 percent. "Any small opening in South Korea's bond market will spark a massive inflow of money into it," says Lee Sung-dong. South Korea has now opened one route for foreigners to invest indirectly in the South Korean bond market through eight investment trust companies. These companies have issued around \$300 million worth of bonds to date, \$150 million of which have been purchased by foreigners.

Joint investment trusts

As of 1996, foreign companies will be able to set up joint investment-trust companies with local partners, and domestic securities companies and foreign investment trust companies are now actively searching for potential links. Invesco, a British investment trust company, is investigating such a partnership, probably with LG Securities, according to some sources. Dongshin Securities Co. is also known to be in contact with a U.S. investment trust company concerning such a venture. Financial groups such as Fidelity of the United States, Jardine Fleming of Hong Kong and Mercury of Britain are also showing growing interest in South Korea's investment-trust market.

Beginning in late 1996, South Korea is to initiate a stock index futures market. Officials involved in the project have said that foreign involvement is inevitable, but the government has reported that it plans to restrict foreigners from participating in the stock index futures market for the first year or two, until domestic investors restore competitiveness against foreign investors. The spot market, however, will not be subject to this restriction. "It is difficult to treat domestic and foreign investors on an equal footing, because advanced countries' investors have accumulated trading techniques, and stock-index futures markets are highly speculative," says one Ministry of Finance official.

NEW FINANCIAL REFORM MEASURE TARGETING INTEREST INCOME

South Korea's "Aggregate Financial Income Taxation" law, effective beginning January 1996, will impose higher taxes on interest income accrued by wealthy individual investors; it will also lower the corporate income tax by 2 percent for small and medium-sized companies.

The major targets of the new measure are wealthy investors, known locally as "big hands," who have made fortunes in the so-called "curb market," of street vendors selling shares in businesses. The curb market now totals an estimated 11 percent of the country's GDP, according to the Korea Institute of Finance, a private research organization financed by the Federation of Korean Banks.

The new law is also aimed at South Korean individuals who earn 40 million won (\$52,000) per year or more from money deposited with fi-

nancial institutions. The Ministry of Finance and Economy says there are around 30,000 investors in this category.

Not surprisingly, many wealthy investors are currently looking for tax havens for their money. The three most popular options seem to be the stock market, local real-estate investments and overseas investments.

Capital gains from stocks will be a target of the taxation reform beginning in 1998, and many investors are seeing the local bond market as a good investment choice in the short term. Some analysts predict that around 5 trillion won will be diverted from the short-term money market into the stock market.

Financial observers and representatives of the industrial sector are concerned about a potential increase in real-estate and overseas investment, saying this could provoke a

real crisis in the country's economy. Small and medium-sized companies in particular have relied on the short-term money market as their prime source of funding, given the high collateral for loans demanded by most banks.

"The reform will prove a short-term problem," says Lee Yong-hwan, research director for the Federation of Korean Business. "Korean companies will have difficulties securing funding if the short-term money market is strained. But in the long term, they will be able to clean up their loan portfolio."

Bonds with longer maturities should become increasingly popular as investments, since bonds with more than five years' maturity are excluded from the taxation reform measure. Clear beneficiaries will be the securities market and companies offering long-term financing.

PERSONAL DIGITAL ASSISTANT FOCUS OF LOCAL COMPANIES' R&D EFFORTS

The global Personal Digital Assistant market is set to reach 20 million units sold per year by 2000.

You can hold it in your hand. It functions as a combination cellular phone, pager, fax and electronic notebook. It's known in the industry as a Personal Digital Assistant (PDA), and the version developed by the South Korean company LG Electronics (LGE) is set to enter the domestic market in 1996 (for a unit price of 500,000 won, or \$630), with exports to Southeast Asia and Europe planned for the near future. "Global demand for PDAs will reach 20 million units in 2000," says Seo Pyong-won, vice president for technology at LGE. "PDAs will replace cellular phones and wireless pagers."

LGE's PDA follows similar products launched by Apple Computer (the Newton, which appeared on the market in 1992), Sharp, Casio and AT&T. Second-generation PDAs with wireless communications capabilities have been launched by IBM, Motorola and Sony.

But all these PDAs have been sold at high prices, and sales have not taken off as planned. LGE's version offers wireless communications but is smaller (149x64x27 millimeters),

lighter (250 grams) and cheaper than other PDAs now on the market.

The result of a 4 billion won research and development investment, LGE's new PDA integrates information processing into wireless communications. Instead of typing on a keyboard, the user presses data or words on a touch panel with the finger or with a special pen. With a pager module installed, the PDA can receive written messages; fax reception is possible using cellular connections.

"With this new PDA, we will secure more than 30 percent of the global PDA market," says Seo Pyong-won.

Local competitors are planning their own PDAs. Samsung Electronics formed a joint venture with Motorola in May 1995 to create a so-called "dragon chip" microprocessor for PDAs. "We will focus on communications technology development even if it means we have to be a little late in launching our PDA," says Hu Jung, Samsung's multimedia manager. "We will launch a PDA that fits into an inner suit pocket and weighs only 246 grams," he says.

SOUTH KOREA

INDUSTRY EXPANDS AT HOME, ABROAD

South Korean industry is facing a rising yen.

The yen's recent decline against the U.S. dollar following a four-year rise has been accompanied by a steady rise in the value of the won against the dollar. This has happened in spite of South Korea's growing trade deficit with the United States, set to reach \$7 billion by the end of this year.

A weaker yen will be a boon for some South Korean manufacturers in the short term. The strong yen had been plaguing South Korean manufacturers forced to offer competitive dollar prices for their products while often paying for imported Japanese components in yen. The rising costs of products due to the high yen could not be passed on to consumers without high losses in market share. A weaker yen will thus benefit Korean importers of electronics, auto parts, capital goods and intermediate materials from Japan.

Problems resulting from the weaker yen

A weaker yen, on the other hand, means the end of the price advantage South Korean goods held over Japanese products, especially in cost-conscious emerging markets. The rising value of the won is eroding the competitive edge South Korea once held. Hardest hit by weaker yen will be Korean exporters of cars, computer peripherals, VCRs, semiconductors, electronics goods, ships, steel and machinery, all sectors in which Korea competes with Japan. Toyota, for example, has been able to reduce the cost of its small-model cars by 5 percent because of the decline in the yen.

For Japan, a weaker yen may be a long-term benefit. Some analysts feel that it will propel Japan's growth to a respectable 2.8 percent in 1996 if the Bank of Japan maintains its current monetary policies. A weaker yen will also boost earnings for Japan's auto and consumer electronics exporters. But some Japanese observers are not optimistic.

"The yen already has risen too high for us to pin any great hopes on such a modest shift in the yen value," says Masaki Murada, vice president of Fujitsu Korea.

Korean electronics manufacturers are trying to catch up with their Japanese rivals. In October 1995, Samsung Electronics Co. announced the beginning of operations in its giant electronics manufacturing complex in Weybridge, Britain, which will produce microwave ovens and color monitors in its initial phase. "The complex is our European base for us to bypass trade friction," says Kim Kwang-ho, vice chairman of Samsung Electronics. "It also signals our will to become a top-class enterprise," he adds. The Weybridge complex, a shot in the arm for the local economy, is soon to account for 50 percent of Samsung's total European sales. The company has promised that British employees will soon make up a larger share of senior management.

Samsung has announced that it will establish a \$1.5 billion semiconductor plant in Austin, Texas, a move seen as a response to rival Hyundai Electronics' May 1995 announcement that it will invest \$1.3 billion to build what will become the world's largest semiconductor plant, in Eugene, Oregon. It moves reflecting the saturation in the domestic market, South Korean companies are busy opening other plants abroad. Samsung plans to open a plant in Brazil to produce color televisions and VCRs. LG Electronics plans to open its own plant in Brazil by early 1997 to produce color televisions, PC monitors, VCRs and microwave ovens. Daewoo Electronics is following suit with a plant near São



High-tech equipment like this electron microscope is helping local industry compete globally.

PATRICK LUCERO

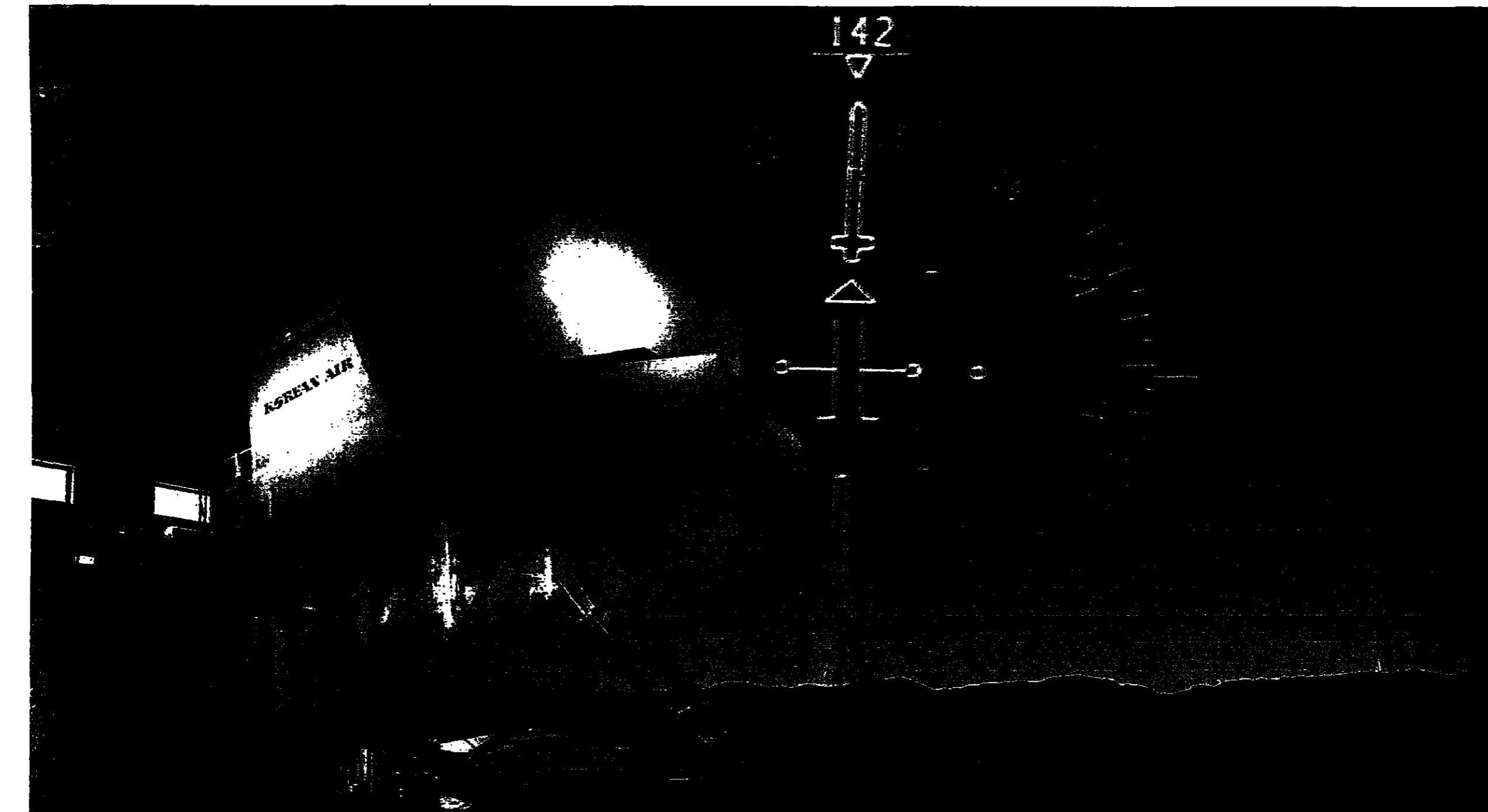
More links with China

China has emerged as the key partner for many South Korean industrial companies. Around 2,000 South Korean companies have become involved in manufacturing in China, with 130 South Korean companies operating in Beijing.

"Korean firms have proved to be fast and agile in adapting to the unknown waters of China," says Shin Myeong-Chull, a commercial attaché at the Korean Embassy in China. "But some have failed due to lack of knowledge about China. You should be a careful reader of every contract detail. Finding a competent Chinese partner is the key to success."

"Entering China with only a vague idea will be deadly," says Yang Seung-yoon, chief representative for the Beijing office of the Korean Chamber of Commerce and Industry.

"Things are in flux, with the legal structure in the process of change, and people still having difficulty adapting to a free-market economy." Nevertheless, more South Korean companies are investing in or trading with China. By the end of 1994, South Korean companies had invested a total of \$2.12 billion in China, with 2,332 contracts, making China South Korea's largest overseas investment partner. South Korea exported \$11.4 billion in goods to China, Taiwan and Hong Kong between January and June 1995, making these three countries South Korea's biggest export block, ahead of the United States (\$10.9 billion) and Japan (\$8 billion). ■



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SOUTH KOREA

SPOTLIGHT

Company Moves Into the Movie Business

Cheil Foods and Chemicals has invested in the new DreamWorks project.

On May 28, 1995, Cheil Foods and Chemicals Inc. announced its \$300 million investment in DreamWorks, the \$2 billion Hollywood film enterprise launched by media superstars Steven Spielberg, Jeffrey Katzenberg and David Geffen.

Cheil managers announced that "the deal is to prepare our way to become a leader in the world's movie and entertainment industry."

Some shareholders have welcomed the move as a strategically well-timed expansion into a promising field, while others have expressed fears that the investment is too risky. In any case, Cheil's move is being closely observed by other South Korean companies hoping to enter the entertainment industry.

Aggressive expansion strategy

Cheil Foods and Chemicals, begun as a sugar company in 1953, was the growth engine of the Samsung Group in the 1960s, but spun off from Samsung in 1993 and has developed a more aggressive strategy concerning new kinds of business endeavors.

Although some high-profit Asian investments in Hollywood have proved problematic (Matsushita is currently trying to shed MCA, which it purchased for \$6.1 billion in 1990, and Sony's difficulties with its Columbia Pictures investment have been well publicized), the Cheil investment is different, according to many observers.

"The Japanese firms were jumping into what was an already established corporate culture of MCA, causing some Americans to feel that the companies were taking over 'the soul of America.' But Cheil was attracted by the fact that DreamWorks was a new business," says Kang Hun-sok of Baring Securities in Seoul.

Cheil has good reason to be positive. Already involved in South Korea's film industry, Cheil will be able to access DreamWorks' rich array of new technologies and top Hollywood talent. The South Korean film industry, with an estimated value of 3.2 trillion won (\$4.2 billion) in 1995, is projected to grow to 5 trillion won by 2000.

Growing film industry

Industries related to the film industry are also expected to grow. The country's launch of 23-channel cable television in March 1995 and the Koreasat satellite launched in March this year have created a pressing need for new film products to satisfy rising demand, particularly for film-related software. At the moment, 85 percent of the country's films, video games and TV programs are produced by U.S. enterprises.

The DreamWorks deal will also give Cheil a way to enter Asia's fast-growing entertainment industry. Cheil will have the exclusive right to license in Asia DreamWorks' planned production of 69 films, six animated features and 59 television programs between now and 2004. ■

AVIATION INDUSTRY TURNAROUND NOW IN PROGRESS

Joint efforts with China are seen as a key to success.

The reduction in defense spending caused by the end of the Cold War was only the beginning of recent problems besetting the global aeronautics industry.

The downturn in airliner purchases due to overcapacity and airlines' financial setbacks due to increased competition have aggravated the problems.

South Korea's aeronautics industry is no exception. While the country's electronics, automobile, steel and shipbuilding companies are now counted among the world's most powerful in these sectors, its aeronautics industry remains a distant 25th in the world.

South Korean aeronautics companies have achieved some success through licensed production of F-5, F-16, F/A-18, F/A-18E/F aircraft, but still lack the experience and technology to operate without foreign support.

Industry sources say that the relatively weak state of the South Korean aeronautics industry has been the result of its dependency on the government's procurement program and on subcontracted manufacturing.

Top 10 the goal

Now both industry and government have determined to boost the growth of the local aeronautics industry to place South Korea among the top 10 in the world in this field by 2000. In achieving this goal, South Korean companies are to be part of a global consortium to produce new, large-scale aircraft by the turn of the century.

South Korea teamed up with China in 1994 for the joint development and pro-

duction of 100-seat aircraft by the Korean Commercial Aircraft Development Consortium (KCDC). Samsung Aerospace was designated by the government as the leader of the consortium. Thirteen other companies, including Daewoo Heavy Industry and Korean Air, joined the KCDC.

The Korea-China team's strategy is to pool their marketing, technology and financing capabilities, blending South Korea's financial and commercial capabilities with China's aircraft development experience and market potential.

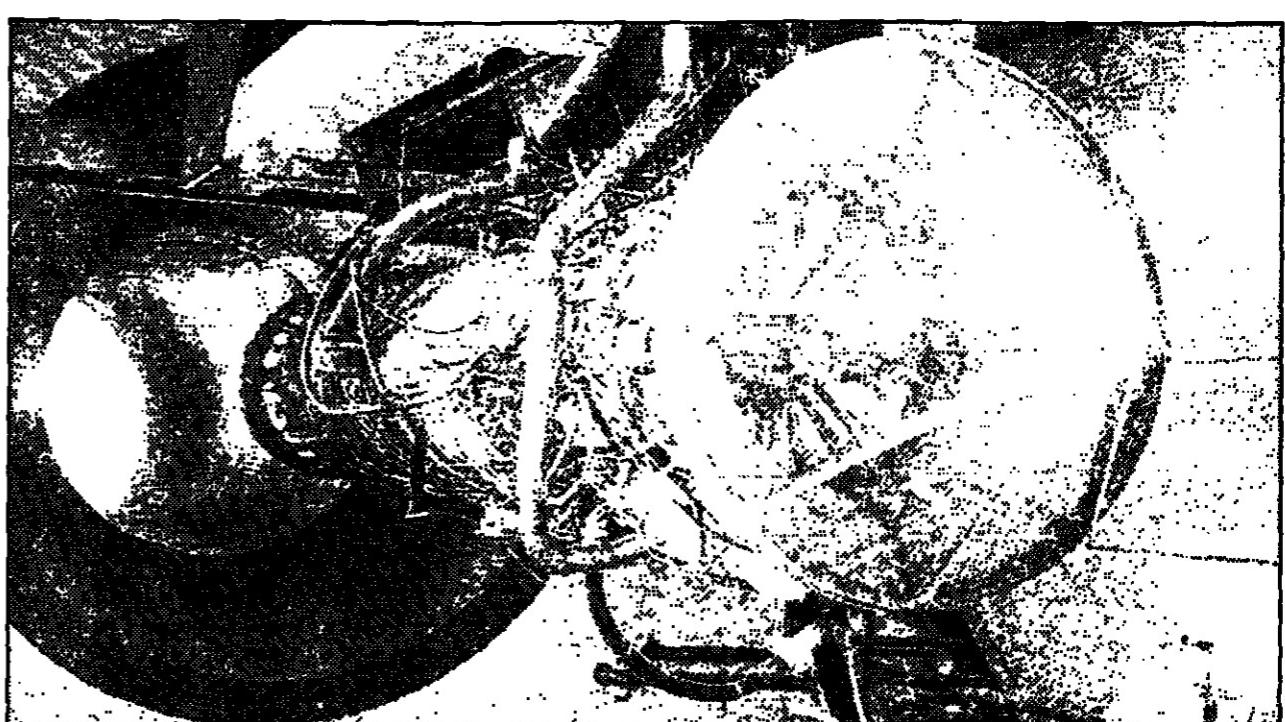
Sales outlets sought

"This is not merely a matter of technology and manufacturing," says Shim Yi-teak, executive vice president of Korean Air. "We need a third partner who will help us find sales outlets."

The consortium is now accepting bids from Western companies seeking to become this third partner. The bidders are Boeing and a European consortium made up of Aerospatiale, Aermac and British Aerospace; McDonald Douglas may also make a bid. For Western companies, the project represents access to the huge growth market of China and Asia.

To finance the project, \$300 million is to be provided by the South Korean government, with an additional \$300 million to be contributed by 14 South Korean member companies.

Boeing is now seen as the probable winner of the bid, given the more favorable terms it is offering: Free technology transfer and 20 percent equity involvement in the program. The Korea-



South Korea's aerospace industry, supported by high-tech research labs like Samsung's (above), is aiming to become one of the world's top ten players by the turn of the century; South Korea's entry into a consortium to produce large-scale aircraft should help pave the way.

China team is expected to select the successful bidder before the end of this year. The Korea-China team is also considering selecting a fourth partner, which would be an Asian company. "We have in mind Malaysia, Pakistan and India as candidates," says Lee Dae-won, president of Samsung Aerospace and also chairman of the Korean Aerospace Industries Association (KAI). "We are contacting these countries through unofficial channels. These countries have a big potential for aviation-industry development," he says. (The

KAI consists of 47 Korean aviation-related companies and functions as a link between the government and the country's aeronautics industry. The KAI will host the Seoul International Air Show in 1996.)

Initial delivery in 2000

The initial delivery of the consortium's 100-seat aircraft can be made as early as the latter part of 2000. According to feasibility studies, around 400 of the aircraft will be sold by 2012 for a unit price of around \$25 million.

"We expect that the break-even point is around

300 to 400 units," says Yeo Young-rock, executive director of Samsung Aerospace.

According to a report by the government-funded Korea Development Institute, South Korea is expected to invest 4.5 trillion won in aeronautics-related research and development programs between now and 2005: 2.5 trillion won for the aircraft sector and 2.08 trillion won for the aerospace sector.

An estimated 72.4 percent of the total investment will be borne by the government. "This financial support from the government will not be

sufficient if we are to continue research and development projects after 2005," says Lee Byong-june, head of the machinery division of KDI. "If we are to foster aviation industry growth, we must have a more extensive R&D budget for the next 20-30 years," he says.

One key issue concerning the Korea-China project is where to locate the final assembly plant.

"Installing the final assembly line in Korea is not a matter of negotiation. It is the precondition to the project," says Lee Dae-won, chairman of KAI. ■

GLOBALIZATION DRIVE CONTINUES

Continued from page 12

led people to flock to trendy new Western restaurants in Seoul, such as Planet Hollywood and TGI, and to favor Western products in general. Unlike their parents' generation, young South Koreans have not been taught that it is unpatriotic to purchase imported goods.

This new taste for the West has proved a stimulus to foreign investors, who are increasingly establishing Western-style services, ranging from beauty parlors to language institutes, in Seoul and elsewhere in the country. This foreign

presence will no doubt increase when the country fully liberalizes its distribution regulations in 1996.

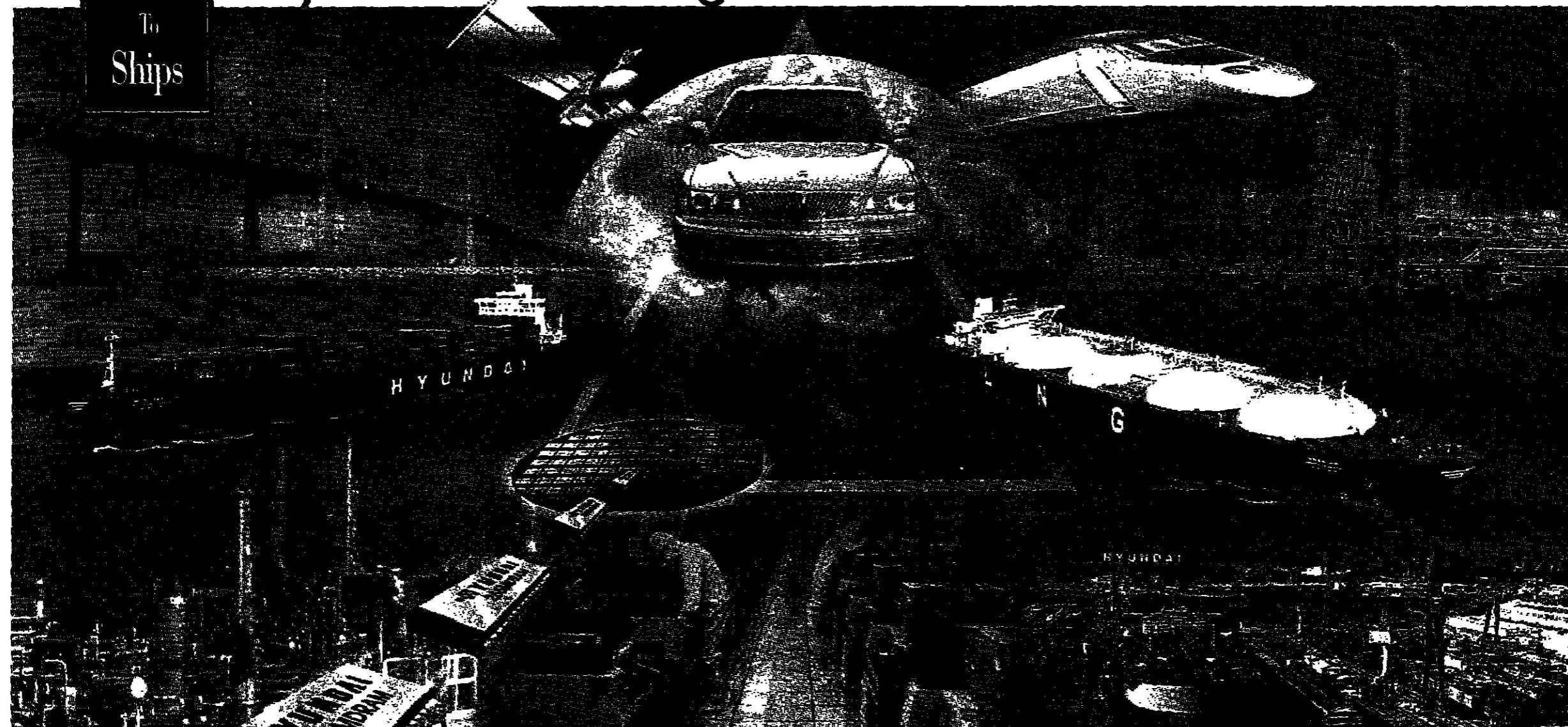
This rise in imports of all kinds has led South Korean companies to expand their overseas operations. In the very recent past, local companies tended to establish operations abroad chiefly to take advantage of lower labor costs.

Today, local companies are aiming toward increased globalization of their distribution networks as well as their research and development, marketing and manufacturing activities.

Segyehwa seems to be working. ■

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SOUTH KOREA

SPOTLIGHT

Investment Path
Made Smoother

Total foreign investment rose by 26.1 percent in the first nine months of 1995 as a result of new initiatives.

"That was the most frustrating experience of my life," recalled a U.S. executive whose company attempted to open a plant in Seoul in 1992. After three years of fruitless struggles with red tape, the company decided to settle for being a trading partner with South Korea rather than a manufacturer within the country.

Happily for would-be investors, that situation has changed, but only very recently. In 1994, 47 foreign companies that had invested a total of \$159 million in setting up operations in South Korea finally decided to move their manufacturing centers to other Asian bases. The primary reasons given for the shift, according to South Korea's Ministry of Trade, Industry and Energy, were wage hikes and disagreements with South Korean joint-venture partners.

South Korea ranked ninth in 1994
According to the Australia-based Asia-Pacific Economic Group, in 1994 South Korea ranked ninth among 11 Asian countries in luring foreign investment. Of a total of \$57 billion invested in the 11 countries in 1994, China received \$3.38 billion, while Korea received only \$1.3 billion.

South Korea's government has decided to change the situation. New measures designed to lure foreign investment include cutting red tape and offering more sites for factories. A foreign investor in the past had to wait two to three years after filing an application to set up a factory in South Korea before the government gave its approval; in 1995, the waiting period is 15 to 45 days.

Finding a suitable factory site was once an ordeal for a foreign company; today, the government has established special Foreign Investment Zones offering factory services, streamlined paperwork, and reduced land prices. In the Foreign Investment Zone in Kwangju, for example, foreign investors are offered free use of the site for five years, with a reduced rental rate after that.

Measures working
The measures seem to be working. Foreign investment rose by 26.1 percent, for a total of \$1.39 billion, from January to September this year, compared with the same period last year. The manufacturing sector showed a 134 percent increase, to \$660 million. U.S. investors accounted for 37 percent of total foreign investment.

Foreign investors are attracted by the lucrative, expanding South Korean markets for high-tech items such as cellular phones and satellite communications. Local companies seek foreign joint-venture partners to benefit from their technological expertise.

Some stumbling blocks remain, particularly the current restriction of foreign ownership of telecom companies to between 10 and 30 percent. The government has suggested, however, that it may increase the foreign ownership ceiling in telecom companies to 50 percent in 1997.

The state-owned Korea Telecom is now in the process of partial privatization, with 34 percent of shares in the organization to be sold by the end of 1995 and an additional 15 percent to be sold in 1996. The government is considering allowing foreigners to buy up to 10 percent equity in the company.

The nuclear energy sector, a fast-growing industry throughout Asia, is in principle closed to foreign investors in South Korea, but foreigners may form joint ventures with South Korean nuclear power companies if their operations are in a third country.

Foreigners are now allowed to participate in the bidding for infrastructure projects in the country. In April this year, the government announced that foreigners could bid for projects involving the new international airport on Yongjung Island. These projects, for several of which foreign investors won their bids, include baggage handling systems, construction of the passenger terminal, communications systems and security systems. ■

ELECTRONICS: INVESTING
ABROAD IN CORE TECHNOLOGY

Local companies seek out technically advanced but financially troubled enterprises.

On July 18, 1995, LG Electronics Inc. (LGE) announced its plan to acquire a 57 percent interest in Zenith, the second-largest U.S. home appliance manufacturer, for \$350 million. LGE's chief goal in the deal is to gain access to Zenith's core technologies in high-definition and cable television. Lee Hun-jo, chairman of LGE, shrugged off the huge losses (\$14 million) that Zenith recorded in 1994, asserting that Zenith will be profitable by 1997.

Acquiring a financially weak but technologically powerful foreign company, particularly a U.S. one, is increasingly seen as a smart business move for a South Korean company looking to establish a presence in the fast-growing global media market. In addition to saving the costs of developing its own technology from scratch, acquiring a foreign manufacturer is also an effective way to avoid trade barriers and secure a niche in the foreign company's local market.

The LGE acquisition is only the latest in a series of takeovers by South Korean electronics companies. In February 1994, Hyundai Electronics Industries (HEI) acquired the non-memory chip sector of AT&T-GIS at a price of \$340 million. In February 1995, Samsung Electronics Co. (SEC) announced that it would invest \$378 million to buy a 40.25 percent share of AST Research, a U.S. personal computer maker with the world's sixth-highest PC sales in 1994.

Access to foreign markets
In their shift from the domestic market to increased focus on foreign markets, South Korea's electronics companies are also focusing more on the production of high-tech media and telecom

equipment rather than on the domestic appliances that have made up the bulk of their sales in the past.

LGE recently unveiled its plan to reduce its focus on home electronics from the current 32 percent of total sales to 19 percent by 2000, while increasing its sales of multimedia, information technology and telecom equipment to 68 percent in the same period. LGE plans to produce personal digital assistants, digital video disk players, CD-ROM drives, trunked radio service and cable television equipment.

HEI recently announced a plan to invest 20 trillion won (\$25 billion) between now and 2000 to expand its activities in the fields of multimedia, information, telecom and aerospace technologies.

Globalization
Whereas they once limited their international activity to establishing foreign production sites, major South Korean electronics companies are now seeking to make their research and development and marketing networks truly international.

South Korean electronics companies are also in the process of localizing their overseas operations not only by employing more local workers but also by hiring top local management. Foreign executives are working both in their own markets and with the staff at the companies' Seoul headquarters.

Since 1983, Hyundai Electronics America (HEA) in San Jose, California has expanded its operations to cover the whole range of R&D, marketing, sales of memory chips and assembly of semiconductors and computers. "We had to undergo a painful process to operate a local company here," admits one HEA official, but the compa-

ny seems to have established a presence as a "local" operation.

Another reason for the recent overseas investment by South Korean companies has been a decline in foreign investment by Japanese companies. According to Japanese economic sources, Japanese companies' overseas investment has dropped to \$2 billion a year after reaching a peak of \$3 billion in 1992. From January to August 1995, the total value of South Korean companies' investments in the United States alone totaled \$1.1 billion.

Coping with foreign culture
Overseas investments have their problems, however. According to Choi Yong-gyu of the Daewoo Research Institute, the acquisition of a foreign company can only backfire if South Korean managers "force foreign managers to employ a Korean management style. South Korean companies should instead try to maintain the current image of a U.S. firm, because what Korean firms want most from a U.S. deal is technology and a local market base.

They should not jeopardize what they want most by forcing their Korean management style onto the Americans."

Curbing buying spree
South Korea's government has made some attempts to curb this overseas buying spree. South Korean companies are now required to source at least 20 percent of their overseas investment funds from their own coffers and loans from domestic banks.

SEC recently announced its compliance with this regulation by sourcing 30 percent of the \$1.3 billion it has budgeted to establishing semiconductor company in Texas



Research and development professionals like this Daewoo Electronics team are a key element in the success of the country's electronics industry.

from its own funds and domestic financial sources.

In spite of this restriction, South Korean companies are continuing to make massive investments in foreign companies. On Oct. 27, 1995, the LGE group unveiled its ambition to become one of the top five home electronics manufacturers of Latin America, aiming for \$600 million in annual sales in Latin American markets. The group plans to invest \$50 million to set up a complex in Mexico to produce four home electronics products (color TVs, video cassette players, electric ranges and computer monitors), according to Chang Bong-ho, head of LGE's Latin American division.

Daewoo Electronics has

announced that it will invest

40 billion won by the end of

next year to triple its foreign production of washing machines from current 500,000 units a year to 1.5 million units. To this end, the company will establish eight new plants abroad (in Mexico, Chile, Brazil, Indonesia, Europe and South Africa). "We will then take 5 percent of the world's washing machine market share by the time these plants are fully operational," says one spokesman.

Headline technology

South Korean electronics companies have recently achieved a number of headline-grabbing technology breakthroughs.

HEI has developed its own 256-mega

synchronous dynamic ran-

dom access memory (SDRAM) technology.

The 256-mega S-DRAM

chip has a memory capacity equivalent to 2,000 standard English newspaper pages, according to Hwang In-seok, head of HEI's semiconductor research center. These chips will operate at more than two times the speed of ordinary DRAM chips. The company will be able to unveil commercial samples by the end of next year. Mr. Hwang says.

LGE unveiled in July 1995

its plan to invest 170 billion

won in developing and pro-

ducing 2 million optical pick-

ups next year. An optical

pickup is a device that reads

and records information on

an optical disc using laser

technology, and it is a core

component in producing the

next generation of multime-

dia products such as digital

video disks and magnetic op-

tical disks. ■

REVERSING THE BRAIN DRAIN: KOREAN TALENT COMES HOME

Exciting opportunities compensate for lower-than-U.S. salaries among returning Korean-Americans.

Iwanted to come back to my homeland to work," says Kim Tae-yon, age 26. She emigrated to the United States with her parents when she was 12, and eventually studied at New York University.

After working for two years at a New York advertising agency, Kim Tae-yon was hired by Cheil Communications Inc., South Korea's largest advertising agency, the in-house agency for the Samsung group, which was recruiting Korean-Americans. She became one of six new recruits to work at Cheil's Seoul headquarters.

"At first, every day was a challenge for me," Miss Kim says. Her awkward accent when she spoke Korean raised doubts about her abilities. She also had trouble adapting to social norms and often felt she was neither Korean nor Ameri-

can. Today, that trial stage is part of the past, and she is successfully working with Cheil's overseas division on ads for Samsung semiconductors in Southeast Asia.

"After a one-year trial period, I now feel I am part of the organization," she says, and she now speaks near-perfect Korean.

Cheil and other South Korean companies need more people like Miss Kim. Cheil's major customers have recently begun a full-scale marketing drive for their overseas operations, leading to a much bigger overseas advertising business for Cheil.

"It has become our top priority to scout out a local expert who can understand the local culture and local consumers," says Jung Yeon Seung, assistant director of Cheil's overseas

operations. "It would be too costly and too much of a burden for our corporate structure if we employed Europeans or Americans for these positions, although we will eventually do so. But at this transitional stage, what we need most is Korean with international backgrounds. They are both willing to adapt to Korean culture and have an intimate knowledge about targeted local markets."

Opportunities for bilingual workers

One young bilingual analyst for a securities company in Seoul came back to South Korea after having lived in the United States from the age of seven and earning a degree from the University of California at Berkeley.

"What attracts [returning Koreans] most is the huge market potential," he says. "It's exciting to experience such fast globalization. Many more Korean-Americans holding advanced degrees want to come back home, but opportunity is still limited. Some people here think that we are taking their jobs away."

Pay is not on a par with what some returning Koreans would receive in other countries. "In the United States, they would pay twice as much as I receive here," says one young broker working for Daewoo Securities. "but it's more exciting to work here. Here I can be a head-starter in what I am doing. The market has just opened and is on the fast track to growth."

The Daewoo Group has hired 10 Korean-Americans this year to work in the company's Seoul headquarters and is planning to hire more. "Most of them have American nationality, which causes us a lot of paperwork," says Chung Hee-jae, head of Daewoo's Management Development Center in Seoul, adding, "Nevertheless we want to hire more, because we need them in expanding our overseas operation."

Hiring Koreans who have spent much of their lives abroad represents a new strategy for South Korean companies, who in the past invested in sending local employees abroad to be educated. "What we need most now are Chinese-Koreans who are good at basic science and engineering. Such people have proved a valuable asset to our R&D operations in China," Mr. Chung says.

"We used to recruit people here and send them to our overseas operations," says one executive with the Hyundai Group, "but now we usually let the local operation have the responsibility for recruiting local staff, because they know best what they need."

Residents of Korea with advanced degrees from Western universities are also being sought. Major corporations such as Samsung, LG Electronics, Daewoo, Sunkyong and Ssangyong are scouting for such executives through job fairs, seminars, and the Internet.

Around 6,000 expatriate Koreans return per year
An estimated 5 million ethnic Koreans live abroad. Around 800,000 of them - fleeing poverty, political unrest and political persecution - emigrated between 1965 and 1995, with around 630,000 settling in the United States.

South Korea's expanding economy has been the magnet drawing many expatriates back. The number of Korean immigrants returning to South Korea has grown to between 5,000 and 6,500 per year for the past four years from only 800 in 1980.

Many of the returnees follow new career paths when they return home. A former real estate broker now runs a trendy American-style restaurant in Seoul. A sociology graduate from Ohio University became a public relations manager at a luxurious Seoul hotel. One Korean enrolled in Harvard Law School says, "A Harvard diploma is valued more in Korea than in the United States, and I intend to return to Korea right after graduation." ■

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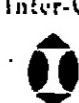
The Hotel Inter-Continental Seoul now gives the business traveller more space and even greater comfort. For our standard room rate, we offer a top sum Deluxe Junior Suite and a full complimentary breakfast, served in your suite, if you wish. Our Junior Suite Package is available until December 31 at the special price of:

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ECONOMY
SPEECHES
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SOUTH KOREA

ECONOMIC GROWTH SPELLS GOOD TIMES FOR TOURISM

Both business and leisure travel are showing growth.

When Peter Walshaw came to Seoul in 1992 to be the new general manager of the then-Hyatt Regency Hotel, he was worried. The uncertain South Korean economy, decline in inbound tourism and a general lack of government support for the local hotel business were unpromising signs.

Now, three years later, the picture is much brighter. The local hotel occupancy rate has grown, and the Hyatt Regency, now the Grand Hyatt, an example of the current prosperity of the local hotel industry, is benefiting from an extensive renovation project launched in 1993 and from its move toward more sophisticated marketing and communications efforts.

"It has been exciting for me to watch our business grow," says Mr. Walshaw.

Another success story
Seoul's Hotel Inter-Continental is another success story. "We have a strong business indeed," says Chun Hee-kyong, a hotel spokesperson.

The Inter-Continental is well located within a business district offering many business and leisure services, including good transportation to the airport and downtown Seoul.

Spacious guest rooms, stable room rates and a high staff-to-guest ratio have helped the hotel attract the European travelers that make up 80 percent of its clientele.

The Ritz-Carlton, the first luxury hotel to be built in Seoul since the 1988 Olympics, is also reporting nearly full occupancy this year as more and more business travelers flock to South

Korea. The tourism industry, like South Korean business in general, is benefiting from the country's current economic growth. Whereas in the past many business travelers bypassed South Korea for Asia's top business destinations (Japan, Hong Kong and China) and for other Asian countries offering cheaper labor, today South Korea's industries are proving increasingly attractive to foreign investors.

Another boost

Another boost to tourism growth has been the high yen, which has attracted Japanese tourists in particular to South Korea's many attractions; Japanese travelers now make up 47 percent of foreign arrivals.

The ancient cities of Kyongju,

Fuyo and Kongju are very popular among European

and American visitors, and new sports and cultural events have been organized to attract more Western visitors.

Festivals bring in tourists

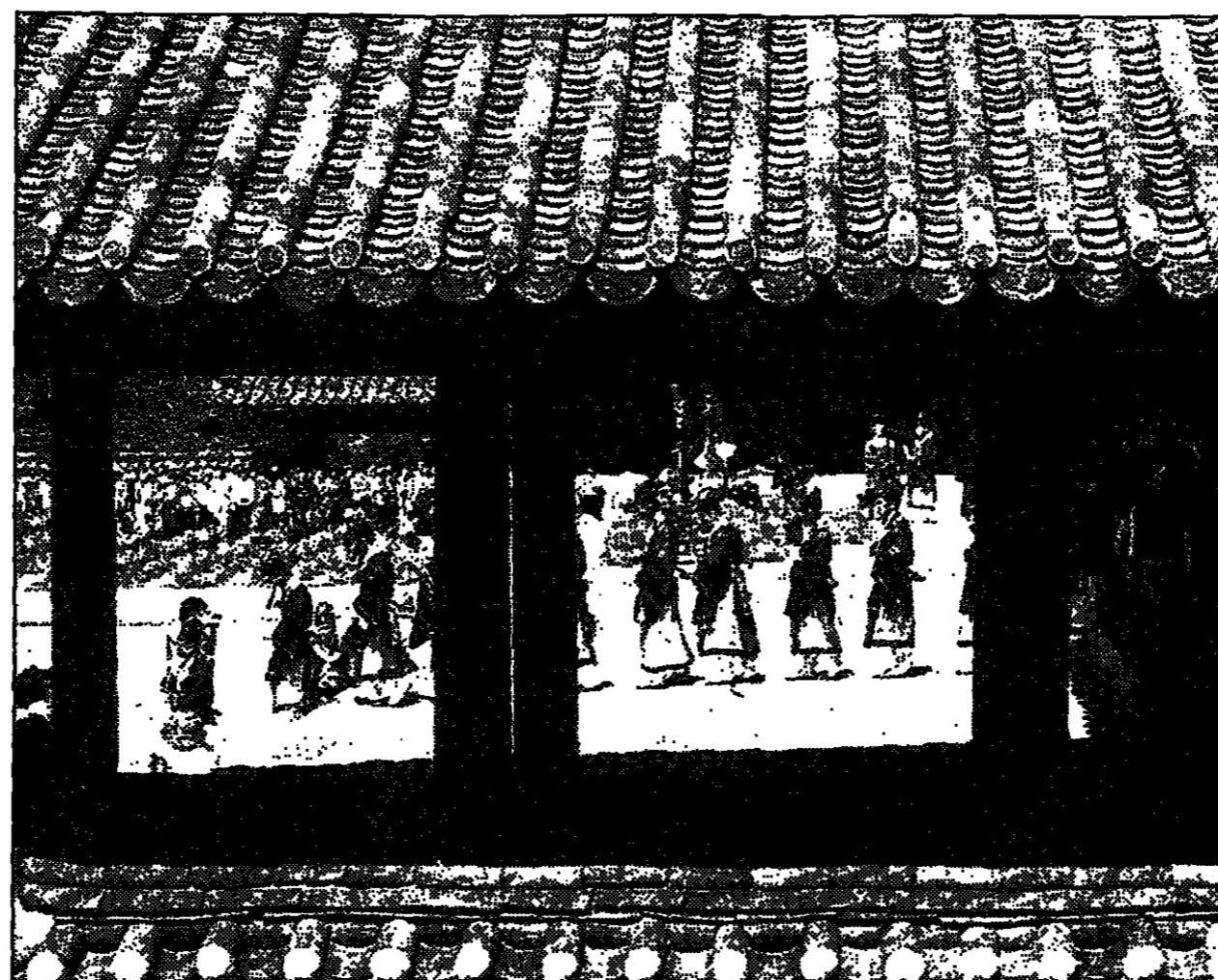
Various festivals have been organized to attract tourists, including a snow festival at the Yongpyong ski resort that attracted 1,000 foreigners among its other visitors this year. The Cheju International Triathlon in July attracted 212 athletes from 14 countries this year.

The International Taek-

wondo Hanmadang contest in August drew almost 1,500

competitors from 14 countries, and the Mt. Sorak international Marathon brought 604 participants from 15 countries.

South Korea's ski resorts have proved popular among Japanese and Southeast Asian visitors. Regional folk



A formal ceremony in the Chongmyo Taeje Royal Shrine (left) and the elaborate roofs of historic Pongunsan Temple: South Korea's rich culture is waiting to be discovered.

festivals and citizens' cultural events are also popular; among them is the Cherry Blossom Festival in Chinhae in April.

The Korea National Tourism Corporation (KNTC) hopes that attractions like these will draw 4 million visitors in 1996, to make the country the world's 23rd largest inbound market.

Target: 3.9 million visitors
Seoul has set a target of 3.9 million visitors this year, and tourism officials are confident they will meet this goal.

The total number of foreign visitors to South Korea has already increased by 6.2 percent this year, from 2.6 million visitors in the Janu-

ary-September 1994 period to 2.8 million in the same period of 1995. In spite of these positive signs, however, the country failed to reach its goal of 4 million visitors in 1994, the official Visit Korea year, chalking up a total of 3.58 million visitors.

Last year's modest growth in inbound tourism came at a time when outbound tourism reported a sharp rise of 20.2 percent between January and September of 1994, compared with the same period in 1993.

Stumbling block
One stumbling block in the rise of inbound tourism is a lack of hotel rooms, a result of the previous government's policy of preventing

new hotel construction and of preventing in particular any new entries to the South Korean hotel scene by the top 30 global hotel corporations.

"The former government set 1994 as Visit Korea year, but still kept its grip on the hotel business with a string of regulations and heavy taxes," says Chang Chul-hi,

the chairman of the Korean Tourism Association (KTA). Next year, Seoul will give it another try.

Convention facilities

The biggest barrier to growth in the tourism industry has been South Korea's failure to invest significantly in tourism infrastructure, with both the government and local industry placing a

higher priority on exports and manufacturing than on increasing tourism. A primary example is the need for more convention facilities.

In 1994, South Korea hosted 306 international conventions attended by a total of over 200,000 foreign visitors. Tourist officials believe they could attract many more conventions to the country if more facilities were available.

And many officials feel that South Korea may soon be overwhelmed by its neighbors China, Japan and Southeast Asia in the competition for convention business.

"We will be cut out of this growing [convention] market if we do not get enough convention facilities. The

government must do something about this. We cannot wait much longer," says Chang Chul-hi.

The KNTC has added ex-

panding international convention facilities to its roster of goals for expanding the local tourism industry; other top-priority goals include developing tourism infrastruc-

ture, taking a greater share of the Japanese market, moving into new markets, and boosting efforts to train tourism workers.

New resorts

The government has already earmarked 583 billion won to be spent between 1998 and 2001 in developing the Choongmun complex on Cheju Island into an international resort catering to com-

mercial interests as well as to business and leisure tourists. Mt. Sorak and Chungmu on the southern coast near Pusan are other targets of tourism development funding.

Local initiatives

Local governments, now with more autonomy, are proving to be good promoters of attractions beyond the capital.

"They are the insiders and will be the best promoters" of local attractions, says KTA's Chang Chul-hi. "We may well be decentralizing our operations so that each branch office can be given full autonomy concerning [tourism developments] for specific cities and provinces."



Family relationships are very special; unique bonds between people. Something that we at LG are dedicated to emulating through our relationship with our customers. LG is the new name for the Lucky-Goldstar Group. A new name, but the same emphasis on what we do best - utilizing the most advanced technology to create products that enrich your life, making it healthier, safer, more comfort-

able and more satisfying. Our philosophy remains to provide complete satisfaction to our vast family of customers in over 120 countries around the world, through technologically advanced products of the very highest quality. Satisfaction has a new face.

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CAPITAL MARKETS ON MONDAY

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Nov. 17. Prices supplied by Telekurs.

Risk Name Cpa Maturity Price Yield

Australian Dollar

153 Ontario 5 11/09/96 91.3829 5.4700
221 Australia 74 07/15/03 92.3450 6.1300

British Pound

201 Cadbury Schw 8 12/29/00 101.0000 7.9200

Canadian Dollar

234 Canada 8/4 12/01/05 107.9500 8.1100

Danish Krone

5 Denmark 8 03/15/06 102.1200 7.4300

6 Denmark 9 11/15/00 109.4900 8.2200

7 Denmark 7 02/15/04 106.3500 7.2700

8 Denmark 8 11/15/96 107.5300 7.4100

9 Denmark 8 05/15/03 103.6000 7.2700

10 Denmark 7 08/05/97 102.1000 6.8400

11 Denmark 7 11/17/24 99.2000 6.5000

12 Denmark 7 02/15/98 102.5900 8.1400

13 Denmark 7 02/15/98 102.5300 6.8300

14 Denmark 9 11/15/96 103.4000 8.7000

15 Denmark 8 05/15/03 103.6000 6.7000

16 Denmark 7 08/05/97 102.1000 6.0000

17 Denmark 6 01/02/96 99.4630 1.2000

18 Denmark 6 02/15/98 100.5000 6.0000

19 Denmark 5 08/10/96 99.3700 5.2500

Deutsche Mark

2 Germany 5% 05/15/00 100.5700 5.7000

3 Germany 5% 10/15/00 101.2250 6.2000

4 Germany 6% 05/20/05 103.8500 6.2000

5 Germany 7% 05/03/03 107.1200 6.8000

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MONDAY, NOVEMBER 20, 1995

PAGE 1

CYBERSCAPE

New Computer Medicine Fights On-Line Viruses

By James Kyne
Reuters

TAIPEI — Rather than a conventional office, the place where Steve Chang works looks like a clinic for the casualties of cyber-space. Stacked in his shelves with names such as PC-cillin and Virus Buster are the high-tech antidotes to computer viruses stalking the information superhighway.

On his wall hangs a large calendar detailing the days on which all viruses known to cyber-science are most likely to strike.

"They are really malicious," Mr. Chang said of the computer viruses his company fights for a livelihood.

Mr. Chang is the managing director of Trend Micro Devices, a Taiwan company that is reaping spectacular revenues from designing and selling software to destroy viruses or stop them from infecting computer programs.

Revenue has increased at a rate of almost 80 percent annually over the past few years, with 1994 sales at \$15 million and 1995 sales expected to hit \$24 million, he said.

Viruses are written by sophisticated computer users and usually timed to strike on a certain day of the year, scrambling data stored on disks or rendering software inoperable.

They are well-known for their capability to rampage through a corporation's entire computer network, but a fresh danger is posed by a proliferating number of viruses on the Internet, the worldwide on-line computer network.

"Now there are three or four new viruses in the world every day," Mr. Chang said. "It is a problem updating the list."

With quirky monikers like "MS WORD AZAZO," "Win Word Concept" and "Prank Macro," several among the Internet viruses attach themselves to the electronic mail.

Trend Micro Devices has moved quickly to exploit what is potentially an enormous Internet anti-virus market.

One of its latest products, PC-cillin '95, is a software package designed to protect users of Microsoft's Windows 95 from becoming infected from the Internet.

Launched in the United States last week and due for release Dec. 1 in Taiwan, PC-cillin '95 is able to scan for viruses in any incoming or outgoing message, Trend Micro executives said.

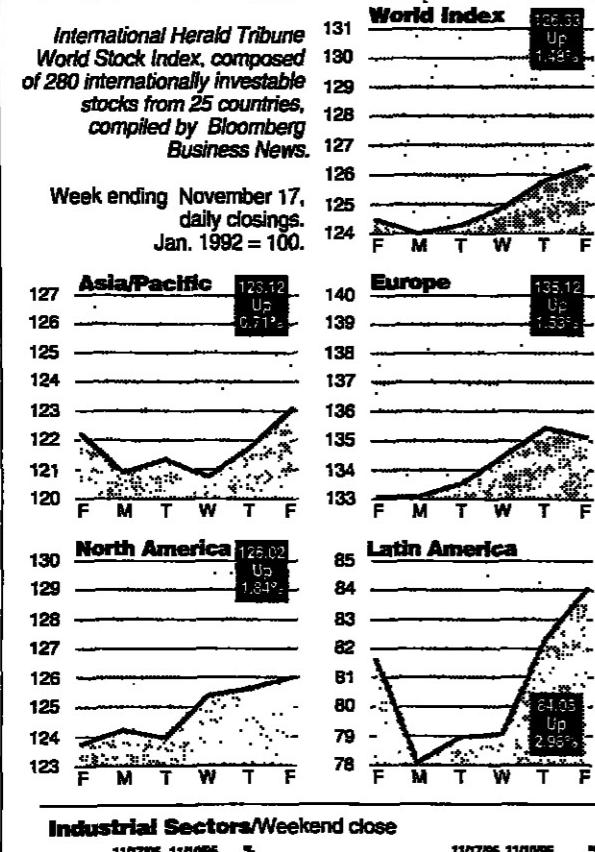
If it detects a virus it immediately stores the infected message onto a blank page and alerts the user, who can then follow instructions to zap the unwelcome intruder.

Internet address: CyberScape@ihi-lib.demon.co.uk

There are three or four new computer viruses in the world every day.



THE TRIB INDEX



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Amsterdam, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and Venezuela. For Tokyo, New York and London, the index is composed of the top 20 issues in terms of market capitalization; otherwise the ten top stocks are included.

© International Herald Tribune

CURRENCY RATES

Cross Rates

Currency	\$	E	DAK	FRF	£m	DM	JPY	SEK	Yen	PLN	MXN	SGD	HKD
Amsterdam	1.57	2.63	1.78	1.74*	1.04*	5.26	1.26*	1.26*	1.10	1.00	2.00	1.00	1.00
Brussels	1.40	2.45	2.05	2.04*	0.88*	4.62*	1.26*	1.27*	1.00	1.00	1.80	1.00	1.00
Dublin	1.24	2.16	—	—	—	—	—	—	—	—	—	—	—
London (e)	1.25	2.07	7.52	2.44*	4.04*	4.04*	1.26*	1.26*	1.00	1.00	1.80	1.00	1.00
Madrid	1.20	2.00	—	—	—	—	—	—	—	—	—	—	—
Milan	1.30	2.00	—	—	—	—	—	—	—	—	—	—	—
New York (d)	1.50	1.60	4.00	4.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Paris	1.40	2.00	7.50	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Tokyo	1.25	1.92	7.22	2.11	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Toronto	1.20	1.88	7.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Zurich	1.20	1.85	2.00	2.00	0.87*	0.72*	1.25*	1.25*	1.00	1.00	1.00	1.00	1.00
1 ECU	1.20	1.80	1.00	1.00	0.86*	0.72*	1.25*	1.25*	1.00	1.00	1.00	1.00	1.00
1 SDG	1.00	1.80	2.00	2.00	0.87*	0.72*	1.25*	1.25*	1.00	1.00	1.00	1.00	1.00

Closings in Amsterdam, London, Milan, Paris, New York, Tokyo, Toronto and Zurich. Things in other centers.

e: To buy one pound; £ To buy one dollar; \$ Units of 100; N.G.: not quoted; N.A.: not available.

Other Dollar Values

Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Per \$	
Swiss franc	1.00	Canadian dollar	1.20	U.S. dollar	1.00	West German mark	2.21	Mex. peso	7.77
Australian dollar	1.20	French franc	7.7333	Italian lira	1.5479	Belgian franc	2.0365	S. Korean won	1.1045
New Zealand dollar	0.98	Hong Kong dollar	7.7333	Portuguese escudo	2.0365	Malaysian ringgit	2.0365	Spanish peseta	1.2625
Swiss franc	0.96	Indian rupee	34.88	Phil. peso	24.20	Swiss franc	1.2625	Swiss franc	1.2625
Chinese yuan	0.2935	India, rupee	226.50	Polish zlote	2.00	Swiss franc	1.2625	Swiss franc	1.2625
Czech koruna	26.22	Irish £	1.20	Portuguese escudo	147.00	Turkish lira	52.00	Swiss franc	1.2625
Danish krone	5.29	Korean won	1.00	Swiss franc	1.2625	UAE dirham	3.671	Swiss franc	1.2625
Egyptian pound	3.29	Kroner, daler	0.2995	Swiss franc	1.2625	UAE dirham	3.671	Swiss franc	1.2625
French franc	4.1819	Moscow ruble	2.3002	Sing. \$	1.4113	Venez. boliv.	169.77	Swiss franc	1.2625

Forward Rates

Currency	30-day	45-day	90-day	Currency	30-day	45-day	90-day
Swiss franc	1.5546	1.5537	1.5527	Japanese yen	101.39	102.67	104.03
Canadian dollar	1.3553	1.3543	1.3539	Swiss franc	1.1306	1.1268	1.1223
Deutsche mark	1.3790	1.3764	1.3745				

Sources: ING Bank (Amsterdam); Indosuez Bank; Brussels; Banca Commerciale Italiana (Milan); Agence France-Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR). Other data from Reuters and AP.

The Mystique of OPEC Wears Thin Gabon's Threat to Defect Saps Image of Oil Cartel

Compiled by Our Staff Writers

VIENNA — A threat to defect by the African state of Gabon this weekend marked OPEC's enduring failure through the 1990s to act as an effective oil cartel.

Gabon told leaders of the Organization of Petroleum Exporting Countries that membership just was not worth the annual fees of \$1.8 billion.

"OPEC is in a straitjacket," said Geoff Pyne, an energy economist who follows the cartel for the investment house UBS.

Time was when modest sellers like Gabon — and Ecuador, which quit in 1992 — tripped over each other's heels to sit down with the likes of Saudi Arabia at oil's top table.

But that was back at the end of the 1970s, when OPEC set prices at up to \$41 per barrel (42 U.S. gallons) and paraded its top table.

Now the oil ministers who meet formally in Vienna on Tuesday are not likely to be able to juggle production levels so as to match prices back up again.

One failure of the cartel, say Western OPEC-watchers, is the way several of the

12 members persistently cheat on their mandated quotas.

Ironically, OPEC is also a victim of its own early success.

Sky-high prices of 25 years ago brought on vigorous Western investment in oil basins outside OPEC control, like those of the North Sea and Alaska.

As OPEC honors its quotas and chokes supply, outsiders like Britain and Norway turn on the tap, fill the void in the market and put a lid on prices.

The latest arithmetic tells the story. "OPEC's current quota pact, which ministers will probably have no option but to extend for six more months, sets a ceiling on its production at 24.52 million barrels per day. But monitors say October volume exceeded that by about a million."

"World oil demand," said the International Energy Agency on Nov. 8, is set to rise by 1.6 million barrels to 71.3 million in 1996. But incremental non-OPEC supply will be up by 1.8 million barrels.

Would-be speculators in oil futures worry about what might happen if the United Nations lifts its 1991 Gulf War embargo on the exports of Iraq. That country could probably soon sell 2.0 million barrels per day.

Besides extending current quotas and pleading for output discipline, the OPEC

talks this week may try to concoct a face-saving formula over the Gabon issue, to avoid publicly admitting it is no longer a full, fee-paying member.

Gabon's oil minister, Paul Toungui, flew briefly to Vienna on Saturday to see President Erwin Meade of Venezuela, who is also the current OPEC president, and Secretary General Kiliwan Lukman of Nigeria.

According to an OPEC source, Mr.

Toungui and Finance Minister Jean Ping proposed a plan under which Gabon would remain a member of OPEC while paying a lower subscription. The two Gabonese officials then left for Paris. Mr. Toungui made no comment but said he would not return for the talks Tuesday.

The source played down comments by another OPEC delegate who said that Gabon could be offered an associate membership in the organization with no voting rights and no quota.

Aside from fees, small members such as Gabon find OPEC quotas irksome because these may deter foreign oil investors.

If the deflection of Gabon is final, it will not alter the supply-demand balance: The country is already ignoring its quota, but our output capacity is only about 350,000 barrels a day. The Saudis alone deliver 8.0 million barrels a day.

(Reuters, Knight-Ridder)

Asia Trade Reform Is Still Too Slow, Executives Say

By Michael Richardson
International Herald Tribune

OSAKA, Japan — Asian and Pacific business executives on Sunday welcomed new

Shell Affirms Intent to Stay in Nigeria

Reuters

THE HAGUE — Royal Dutch/Shell group has repeated that it will not pull out of Nigeria despite that country's recent execution of nine minority-rights activists.

"As long as the United Nations does not impose an oil embargo, we will not leave Nigeria," the company's chairman, Cor Kerkstroeter, said in an interview to be published Monday in the German newspaper *Die Welt*.

The British-Dutch oil company, a major investor in Nigeria, came under increasing pressure over the weekend to withdraw from the country after the execution Nov. 10 of the playwright Ken Saro-Wiwa and

eight other activists of the Ogoni minority. President Nelson Mandela of South Africa said Saturday he had asked the United States to impose an oil embargo on Nigeria and that he had received a "positive" response from President Bill Clinton.

"I asked the United States to apply oil sanctions," Mr. Mandela said at his home in Johannesburg several hours after he spoke to Mr. Clinton by telephone.

On Sunday, a senior official of South Africa's governing party renewed the call for economic sanctions against Nigeria.

Cyril Ramaphosa, secretary-general of the African National Congress, said an oil embargo by the United States and the Eu-

ropean Union would be very effective against Nigeria's military rulers.

The nine activists were hanged after being convicted by a military tribunal for the murder of four Ogoni chiefs who supported Nigeria's military government.

The executions drew widespread international condemnation from governments and human rights groups, some of which was directed at Royal Dutch/Shell.

Mr. Kerkstroeter told *Die Welt* that it was "absurd" to accuse Royal Dutch/Shell of complicity in the executions.

"This isn't about Shell; it's a political conflict between the Nigerian government and the Ogonis," he said.

The Week Ahead: World Economic Calendar, Nov. 20-24

4 schedule of the week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News

Asia-Pacific

Expected Singapore: Third-quarter gross domestic product; October trade figures.

Taipei: Packaging Machinery & Materials show at World Trade Center Exhibition Hall from Nov. 20 through Nov. 22; Managing Funds in Asia 1995 conference, focusing on Taiwan and other emerging markets, at Taipei Grand Hotel, Nov. 20 - Nov. 21.

Europe

The Hague: Two-day Global Panel Conference starts. Among the speakers are former U.S. President George Bush and Yasser Arafat, chairman of the Palestine Liberation Organization, Nov. 23 - Nov. 24.

Amsterdam: Fokker NV is expected to present details of a government rescue package at a extraordinary meeting of shareholders on Saturday.

Americas

Bogota: Colombia expected to complete the sale this week of 200 million Deutsche marks (\$143 million) in Eurobonds.

Santiago: The Superintendence of Banks is expected to release information on financial system growth for October; National Chamber of Commerce announces figures for consumer spending in October.

Monday Nov. 20 **Taipei:** October export orders and industrial production index from the Ministry of Economic Affairs.

Wellington: New Zealand unemployment for the July-September quarter.

Copenhagen: October consumer prices.

London: Second estimate of third-quarter gross domestic product; provisional M-4 money supply figures.

Rome: Producer prices and wholesale prices for September.

Ottawa: September retail trade data.

Sao Paulo: Inflation rate for 30 days ended Nov. 15.

Washington: The U.S. Agriculture Department releases its weekly report on planting progress for seven crops.

Tuesday Nov. 21 **Melbourne:** Coles Myer Ltd. holds annual shareholders meeting.

Tokyo: September household spending; September machinery orders.

Wellington: Provisional figures for New Zealand housing permits in October.

London: November digest of economic statistics.

Paris: September industrial production.

Rome: Preliminary consumer inflation for November.

Voorburg, Netherlands: Industrial production for September and third quarter.

Mexico City: September retail sales; central bank releases foreign reserve levels.

Ottawa: September international trade and wholesale trade data.

Washington: September merchandise trade data.

Wednesday Nov. 22 **Sydney:** Qantas Airways Ltd. holds annual general meeting.

Tokyo: September diffusion index from the Economic Planning Agency; Bank of Japan Governor Yasuo Matsushita holds regularly scheduled news conference.

Paris: Final October consumer price index. Forecast: up 0.1 percent in the month, 1.8 percent for the year.

Stockholm: September retail sales; October trade balance figures.

Voorburg, Netherlands: Third-quarter economic growth figures.

Ottawa: October consumer price index.

Washington: Labor Department reports initial weekly state unemployment compensation insurance claims; Commerce Department reports second of three estimates of economic growth for the third quarter.

Thursday Nov. 23 **Sydney:** October new vehicle registration data; John Fairfax Holdings Ltd. holds annual meeting; Harvey Norman Holdings Ltd. holds annual meeting.

Wellington: Wage costs for the July-September quarter; Food prices for November.

Amsterdam: ING Group NV will release its third-quarter earnings.

Madrid: Third-quarter unemployment.

Paris: Bank of France monetary policy council meets.

Stockholm: Central Bank releases September current account figures.

Mexico City: Nominal third-quarter gross domestic product figures.

Ottawa: September international securities transactions data.

Santiago: Central Bank announces the monthly indicator of economic activity and trade figures for October.

Friday Nov. 24 **Sydney:** New private investment figures for the September quarter.

Tokyo: Japan's city banks and several power companies are scheduled to report half-year earnings.

Wellington: October overseas trade.

London: November monthly trends survey released by the Confederation of British Industry.

Paris: September trade balance; October household consumption.

Voorburg, Netherlands: October producer confidence index.

Ann Arbor, Michigan: University of Michigan releases its consumer sentiment index.

Caracas: International reserves data.

Mexico City: Consumer price index for the first two weeks of November.

Ottawa: 1994 net farm income report.

Stocks Still Up? Are You Joking?

By Floyd Norris
New York Times Service

NEW YORK — Prices went up and up. And never was seen a discouraging trend. So it is for the stock market in 1995.

Last week, with politicians squabbling worse than ever and with talk of a possible default on Treasury securities, interest rates fell and the Dow Jones industrial average neared 5,000.

Few investors take the current budget battle seriously. There is great confidence that something will be worked out, bringing down the deficit and averting default.

So while prices rise, Wall Street tells jokes. Did you hear about the new types of Treasury bonds to be issued to avoid default? The Gingrich bonds have no maturity, the Dole bonds bear no interest, and the Clinton bonds have no principle.

To those brought up on traditional theories of value, reading the stock tables can seem like a joke as well. The Internet stocks, a category one heard of before this year, show amazing levitation.

Uninet Technologies Inc.,

an Internet-access company, went public in May with insiders selling shares at \$14. The shares closed at \$91.50 on Friday. The company has yet to earn an operating profit.

Spyglass Inc., a competitor, is making money. Its insiders sold at \$17 in May, but the stock hit \$102 Friday. That's 204 times profits.

But the most amazing part of the 1995 stock market has been the relentless way it rises. So far, the largest drop in the Standard & Poor's 500 index — the worst you could have done in those stocks with abysmal market timing — has been a dip of 2.4 percent. There has never been a year without a bigger drop.

This is occurring because of the massive commitment of individual investors to the stock market, largely through mutual funds. It is a trend brought on by baby boomers worried about retirement and convinced that stocks are the only long-term answer.

It is also a reminder to market seers that stocks go up because there are buyers willing to pay more, which may or may not be related to such things as profits and dividends.

SHORT COVER

Germany Denies Eurofighter Deal

BONN (Reuters) — Germany on Sunday denied a press report that it would break months of deadlock over the planned Eurofighter aircraft by increasing the number of planes it would order in return for keeping its share of the production work.

A German Defense Ministry spokesman denied a weekend British press report that London and Bonn were proposing that Germany could keep its 30 percent share of production work on the plane in exchange for increasing its share of orders by 30 or 40 aircraft, to 180.

The aircraft, being jointly developed by four European companies, is two years behind schedule despite seven years work and investment totaling \$12 billion (\$18.88 billion).

Unibanco of Brazil Absorbs Nacional

SAO PAULO (Bloomberg) — Unibanco SA of Brazil has said that it paid about 1 billion reals (\$1.04 billion) for Banco Nacional SA to form one of the three largest nonstate banks in the country.

Unibanco said Saturday it would assume all of Nacional's commercial banking operations but noted that Nacional would open for normal operations on Monday.

Poland Weighs Delay in OECD Entry

WARSAW (Reuters) — Poland may delay a planned early 1996 entry into the Organization for Economic Cooperation and Development because of problems adjusting its banking laws, a Foreign Ministry official said.

"We are hoping to get the membership only in summer next year," Zbigniew Szymanski, a deputy department head at the ministry, said Saturday. He said Poland was currently "70 percent" ready to join the OECD.

World Bank Pledges Support to Kiev

KIEV (Reuters) — The president of the World Bank, James D. Wolfensohn, pledged Sunday to provide Ukraine with annual assistance of about \$1 billion over the next few years, but he urged the former Soviet republic to proceed with economic reforms.

He also said the bank wanted clear indications that Ukraine was "pushing forward with a privatization plan."

German Firms Bewail Loss of Construction Jobs

Continued from Page 18

Bloomberg Business News

BONN

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NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, Nov. 17.
(Continued)

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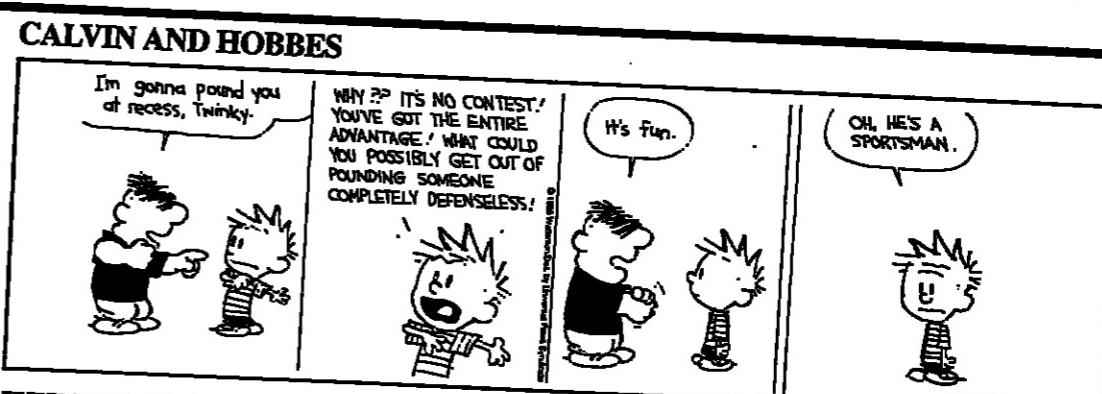
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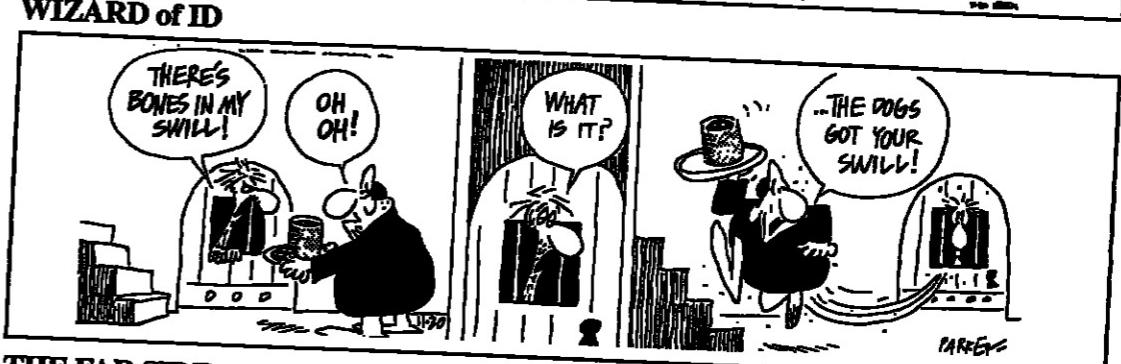
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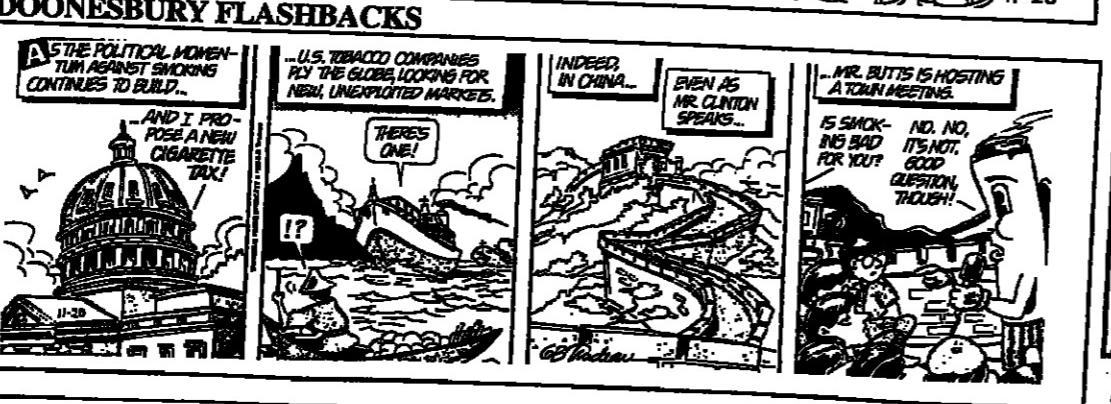
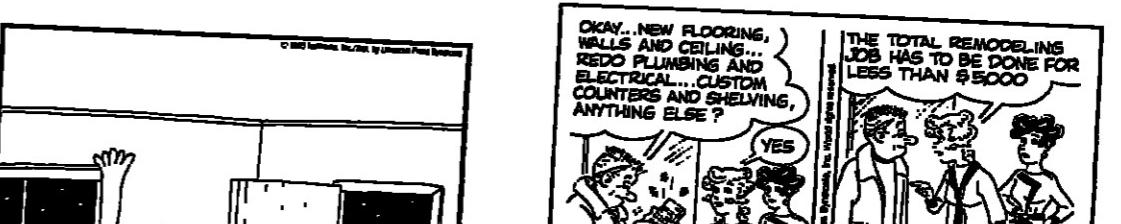
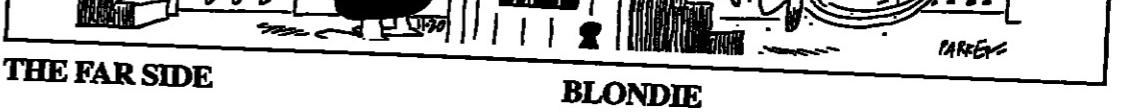
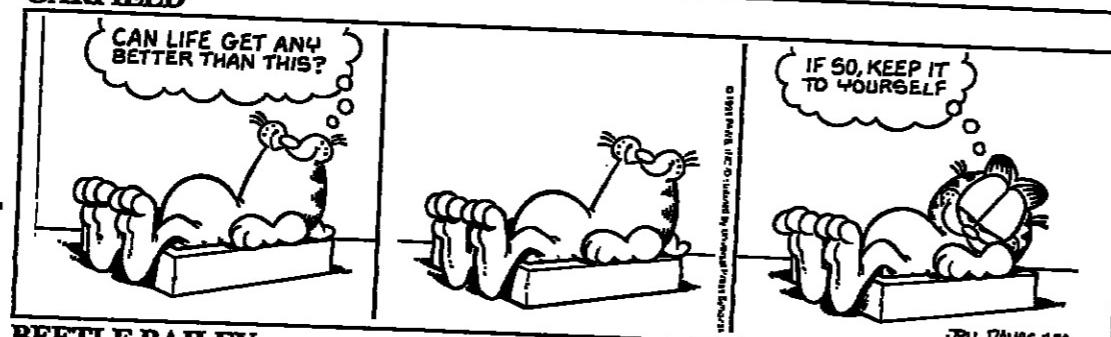
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PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST
THE WORLD'S DAILY NEWSPAPER

SPORTS

Flawless Florida and Ohio State Get Ready for Bowl Showdowns

The Associated Press

Second-ranked Ohio State and No. 3 Florida kept their national championship hopes alive and remained undefeated going into showdows against their arch-rivals next week.

Eddie George rushed for 130 yards and two touchdowns as Ohio State beat Indiana, 42-3, on Saturday, while Chris Doering caught 11 passes for 169 yards and two scores in Florida's 38-7 victory over Vanderbilt.

In Columbus, Ohio, Bobby Hoyer threw two TD passes to Terry Glenn and broke Ohio State's record for passing yardage in a season with 2,737. Hoyer was knocked out of the game with a concussion in the third quarter, but team doctors said he should be available for next week's game against No. 12 Michigan.

Ohio State improved to 11-0 for the third time in school history, but the Buckeyes must beat the Wolverines to get the Big Ten's Rose Bowl berth.

A victory would give Ohio State a share of the conference crown with Northwestern, but the Buckeyes would go to Pasadena because they would have a better overall record than the Wildcats (10-1), who closed their regular season with a 23-8 victory over Purdue. An Ohio State loss would send Northwestern to the Rose Bowl.

"We're right where I thought we'd be," the Buckeyes' coach, John Cooper, said. "We go into every game thinking we're going to win. But I'm probably the only guy in here who thought we'd be 11-0."

George, locked in a tight Heisman Trophy race with Nebraska quarterback Tommie Frazier, sat out the fourth quarter agains Indiana and finished with 130 yards, 29 under his average. Top-ranked Nebraska didn't play Saturday.

In Gainesville, Florida, Danny Wuerffel threw for 299 yards and two TDs, giving him 34 for 346 yards and two TDs, giving him 56 in his career. Maryland's Jerome Lewis caught nine passes, raising his career total to an ACC record 193.

No. 9 Colorado 27, No. 7 Kansas St. 17 In Manhattan, Kansas, John Hessler threw a 20-yard scoring pass to James Kidd with 1:04 left, giving Colorado a comeback victory and a trip to the Cotton Bowl. Both teams finished 9-2 overall and 5-2 in the Big Eight.

No. 8 Notre Dame 44, Air Force 14 In Colorado Springs, Colorado, Randy Kinder and Autry Denison each ran for more than 100 yards as Notre Dame (9-2) locked up a berth in the Orange or Sugar bowls.

No. 10 Texas 27, Texas Christian 19 In Austin, Texas, Shon Mitchell ran for two scores, including a 2-yard TD with 2:08 remaining, Texas (8-1) appeared to gain momentum after a controversial fourth-quarter fumble call that went against the Longhorns.

UCLA 24, No. 11 Southern Cal 20 In Los Angeles, Jim McElroy set up one touch-

history. The Gators can secure a spot in the Fiesta Bowl, most likely against Nebraska, with a victory against No. 6 Florida State. 1) are headed to the Rose Bowl.

No. 4 Tennessee 34, Kentucky 31 In Lexington, Kentucky, Peyton Manning passed for two touchdowns and ran for another in the second half as Tennessee rallied to beat Kentucky.

No. 5 Northwestern 23, Purdue 8 In West Lafayette, Indiana, Darnell Autry gained a career-high 226 yards as Northwestern

down with a reception and threw for a TD as UCLA beat its crosstown rival for the fifth straight time. The Bruins (7-4) will go to the Aloha Bowl, while the Trojans (8-2)

1) are headed to the Rose Bowl.

No. 19 Penn State 27, No. 12 Michigan 17 In State College, Pennsylvania, Wally Richardson threw two TD passes and Penn State scored on a fake field goal with 2:40 remaining. Stephen Pintz, a little-used senior injured for much of the season, ran for 164 yards.

No. 20 Virginia Tech 36, No. 13 Virginia 29 In Charlottesville, Virginia, Jim Druckenmiller threw a go-ahead TD pass to Jerome Holmes with 47 seconds left, and Antonio Banks clinched it with a 65-yard interception return on the final play. Tech (9-2) clinched at least a share of the Big East title and remained in contention for the Orange or Sugar bowls.

LSU 28, No. 14 Arkansas 0 In Baton Rouge, Louisiana, a redshirted freshman, Kendall Cleveland, rushed for 102 yards and three touchdowns as LSU (6-4) became eligible for a bowl game. Arkansas (8-3) had previously clinched the SEC Western Division title and will play Florida for the league championship Dec. 2.

No. 15 Kansas 22, Oklahoma St. 17 In Stillwater, Oklahoma, Mark Williams threw for one touchdown and ran for another as Kansas (9-2) reached nine victories for the first time since 1968.

No. 16 Oregon 12, Oregon St. 10 In Eugene, Oregon, Joshua Smith, a freshman, kicked four field goals as Oregon earned a berth in the Cotton Bowl and handed Oregon State its 10th straight loss.

No. 21 Auburn 31, No. 17 Alabama 27 In Auburn, Alabama, Fred Beasley's 22-yard TD run and a late defensive stand lifted the Tigers (8-3) over the Crimson Tide (8-3).

No. 18 Texas A&M 56, Middle Tennessee St. 14 In College Station, Texas, Albert Connell caught a 61-yard TD pass on the second play of the game and Leeland McElroy ran for two scores in the first quarter as the Aggies (7-2) extended the nation's longest home winning streak to 31.

COLLEGE FOOTBALL

clinched a share of its first conference title since 1936. The Purdue fullback Mike Alstott became the Boilermakers' career rushing leader by gaining 71 yards on 16 carries.

No. 6 Florida St. 59, Maryland 17 In Tallahassee, Florida, Danny Kanell set an Atlantic Coast Conference record for career TD passes as Florida State (9-1) tied Virginia for the league title. Kanell was 24-34 for 346 yards and two TDs, giving him 56 in his career. Maryland's Jerome Lewis caught nine passes, raising his career total to an ACC record 193.

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Magic Loses Game — and 2 Stars

Reuters

The Orlando Magic lost more than a game as Bimbo Coles' three-pointer with 20 seconds to play lifted the Miami Heat to a 93-90 victory over the Magic, which lost Penny Hardaway and Horace Grant to injuries.

Hardaway and Grant missed the final 3:15 minutes Saturday

NBA ROUNDUP

night after they were hurt in a loose-ball scramble that involved six players. Grant injured his left knee and was taken out on a portable stretcher while Hardaway, who scored 18 points, left with a muscle cramp in his right leg.

Dennis Scott, who scored 22 points, hit two key baskets to give Orlando a 90-87 lead with 2:32 to play.

Billy Owens finished with 20 points and Alonzo Mourning added 19 for Miami, which also got 16 points and 12 rebounds from Kevin Willis.

Joe Wolf, an Orlando reserve, added 16 points, including 10 in the fourth quarter, on 8-of-9 shooting for the Magic.

"It was special to beat them the way they beat us," said Coles, referring to Hardaway's layup with 1.2 seconds left in Orlando's 94-93 victory on Nov. 11. "It hurt me in the heart. Hopefully, this will hurt them the same way."

Pacers 118, SuperSonics 104 Regge Miller scored 15 of his season-high 35 points in the third quarter as Indiana downed visiting Seattle.

Shawn Kemp had 27 points, 12 rebounds and nine assists for the Sonics, who dropped their fourth straight against Indiana.

The Pacers trailed 56-52 at halftime but began the third period with a 20-5 burst, including seven by Miller.

Cavaliers 93, Pistons 90 In Cleveland, Terrell Brandon scored 26 points, including a jumper with 1:48 to play that snapped a tie and lifted the Cavaliers to victory over Detroit.

Chris Mills added 20 for the Cavs, who have won back-to-back games after an 0-7 start and captured their first home game in four tries.

Hill finished with 24 points and Houston added 15 for Detroit, which dropped its eighth straight game at Cleveland.

Raptors 103, Bullets 102 In Washington, Damon Stoudamire, a rookie, scored 23 points, including a 14-footer with two seconds left that lifted Toronto to its first road victory in franchise history.

Alvin Robertson added 22 points for Toronto, which blew an 18-point lead before pulling out the victory.

Juan Howard finished with 25 points and Robert Pack added 20 for the Bullets, who lost a chance to win when Cal-

ifornia 101, Nuggets 98 In Houston, Clyde Drexler scored 17 of his 21 points in the second half, including a key three-point play late in the game, as Houston extended its winning streak to four games.

Robert Horry scored 22 points for Houston, Bryant Stith scored 17 points and Glenn Robinson added 22 for Milwaukee.

Suns 109, Hornets 107 In San Antonio, Sean Elliott hit two free throws with four seconds remain-



Kimberly Betts/Agence France Presse
Pistons' forward Grant Hill driving for the basket against Cleveland's Bobby Phills.

bent Cheaney saw his 14-foot jumper bounce off the rim at the buzzer.

Nets 93, 76ers 79 In East Rutherford, New Jersey, Armon Gilliam scored 24 points and grabbed 11 rebounds as the Nets routed Philadelphia.

Kevin Edwards scored 13 points and P.J. Brown added 11 for New Jersey, which improved to 4-0 at home.

Clarence Weatherspoon scored 17 points and Jerry Stackhouse added 16 for Philadelphia, which has lost four straight by a combined 88 points.

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points and Aaron McKie had 19 points for the Trail Blazers, who have lost two straight and got a season-high 16 rebounds from Arvadas Sabonis.

Jazz 125, Timberwolves 102 Karl Malone scored nine of his 31 points in a second-quarter run as visiting Utah extended its winning streak to four games.

Malone made his final 12 shots and Chris Morris added 21 points for the Jazz. Isaiah Rider scored 24 points and Michael Williams added 14 for Minnesota, which has lost four straight games by a combined 73 points.

Warriors 121, Mavericks 108 In Oakland, California, Tim Hardaway and Latrell Sprewell each scored 27 points as Golden State beat Dallas to snap a three-game losing streak.

Chris Mullin scored 23 points and Hardaway dished out 12 assists for Golden State, which shot 60 percent (44-for-74) from the field.

Jamal Mashburn scored 32 points, including the team's first 10, and Jimmy Jackson added 20 for Dallas.

CROSSWORD

ACROSS

1 Late tennis V.I.P.
2 Mr. Onassis
3 Immature salamander
4 Outbursts
5 Sticky stuff
6 Little troublemakers
7 Stepson of Emperor Claudius
8 Ballplayer's bubble
9 Flshy
10 Legendary Burhan
11 John of "Tommy"
12 Approved
13 White House's Office
14 Stable diet?
15 Window cover
16 Fix deep and tight
17 Approved
18 Considered
19 —bodied seaman
20 White House's Office
21 Considered

22 Mr. Onassis
23 Aviation prefix
24 Immature
25 Contrives
26 Symbol of punishment
27 Sour
28 "Get a — on it!"
29 Plant cases
30 The Red (W.W. I ace)
31 Tour's locale
32 Accommodate
33 To be, in Best
34 Words of comprehension
35 Went by taxi
36 Legendary Burhan
37 John of "Tommy"
38 Dictator Idi Amin
39 Excited (1984 hit)

40 Opposite WSW
41 50's dance
42 Pub missile

43 One's bonnet

44 London goodbye

45 Linen color

46 Reduced to granules

47 Cooks a pie

48 Hitchcock thriller

11 Mimic

12 Actor Sparks

13 Contrives

14 Former "formerly"

15 Silver container

16 Handsome gent

17 Pays, as the bill

18 Remains of an ancient statue, maybe

19 — the worst ...

20 Free-for-all

21 Russian Revolution locale

22 Pavement caution

23 Reine's husband

24 Available, as a book

25 Blockheads

26 Have — in one's bonnet

27 Winter transportation

28 Clear the board

29 Reduced to granules

30 Lawyer's exam

31 Fuss

32 Agent, slangily

33 West Indies Indian
34 Lawyer's exam
35 Linen color
36 Movie unit
37 London goodbye
38 Hitchcock thriller

Puzzles by Sidney L. Roberts
© New York Times/Edited by Will Shortz

Pistons' forward Grant Hill driving for the basket against Cleveland's Bobby Phills.

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Herald Tribune
SPORTS

MONDAY, NOVEMBER 20, 1995

PAGE 24

WORLD ROUNDUP**Taylor Hits Century**

CRICKET Mark Taylor hit 123 on Sunday as Australia made 306 in its second innings at Bellerive Oval in the second test against Pakistan. Pakistan, which was chasing a target of 376 runs, was 15 for no wicket at the end of the third day's play.

• India, spurred by Manoj Prabhakar's swing bowling, canted to a six-wicket victory over New Zealand in the second one-day international and leveled the series at 1-1.

• Rain washed out play for the second successive day in the first test between South Africa and England in Pretoria. (Reuters)

Former Bronco Jailed

FOOTBALL A former Denver Broncos tight end, Clarence Kay, was sentenced to four months in jail on charges that he violated a restraining order filed by an ex-girlfriend two years ago.

He pleaded guilty in Denver to two counts of violating a restraining order and a count of probation violation.

Kay's former girlfriend, Jennifer Johansen, in 1993 accused the former Bronco of abusing her and obtained the restraining order. Since then, Kay has been arrested seven times for violating the order, including two arrests this year. (AP)

England Squashes Pakistan

SQUASH England overpowered holders Pakistan to win the world men's team squash championships on Saturday. The world No. 1, Jansher Khan, beat Simon Parke, 9-2, 9-5, 9-4, but Def Harris brushed aside Zarak Jahan Khan, 9-1, 9-2, 9-2. (Reuters)



Thomas Chang/Agence France Presse

Valerios Leonidis breaks record.

A Greek Bearing Weights

WEIGHTLIFTING Turkey's Naim Suleymanoglu retained the men's 64-kilogram title but lost a world record to Valerios Leonidis in the world weightlifting championships in Guangzhou, China, on Sunday. Leonidis lifted 148 kilograms in the snatch to beat the 147.5 kilograms hoisted by Suleymanoglu in the championship in Istanbul last November. (Reuters)

Mattingly May Quit

BASEBALL Don Mattingly, the New York Yankees' first baseman, might not play when the 1996 season begins. Mattingly, a free agent, would not retire, an official said, but would remain unsigned and reconsider his status during the season. (NYT)

Another Schumacher Wins

MOTOR RACING Ralf Schumacher, the younger brother of the Formula One world champion, Michael, cruised to victory in the Macau Formula Three Grand Prix after a 14-car crash disrupted the event. (Reuters)

Whitaker Keeps Crown

BOXING Pernell Whitaker knocked out his former sparring partner, Jake Rodriguez, in the sixth round to keep his World Boxing Council welterweight title. (AP)

By Christopher Clarey
Special to the IHT

FRANKFURT — It has been several years since Boris Becker was the world's best tennis player. His convincing victory Sunday in the appropriately titled IBM/ATP Tour World Championship does not change that.

Despite the word *weltmeister* flashing on the electronic scoreboard, despite the \$1,225,000 winner's check, this tennis year clearly belonged to the three men who will finish ahead of Becker in the year-end rankings: Pete Sampras, Andre Agassi and Thomas Muster.

But the truth is that Becker's 7-6 (7-3), 6-0, 7-6 (7-5) victory over Michael Chang was a most appropriate conclusion to this event featuring the top eight players in the world. Appropriate because it was Becker's enormous popularity that inspired German television networks to spend mega-marks to woo this event away from New York in 1990. Appropriate because it is Becker, more than any other player, who has given the event an identity for the last six years.

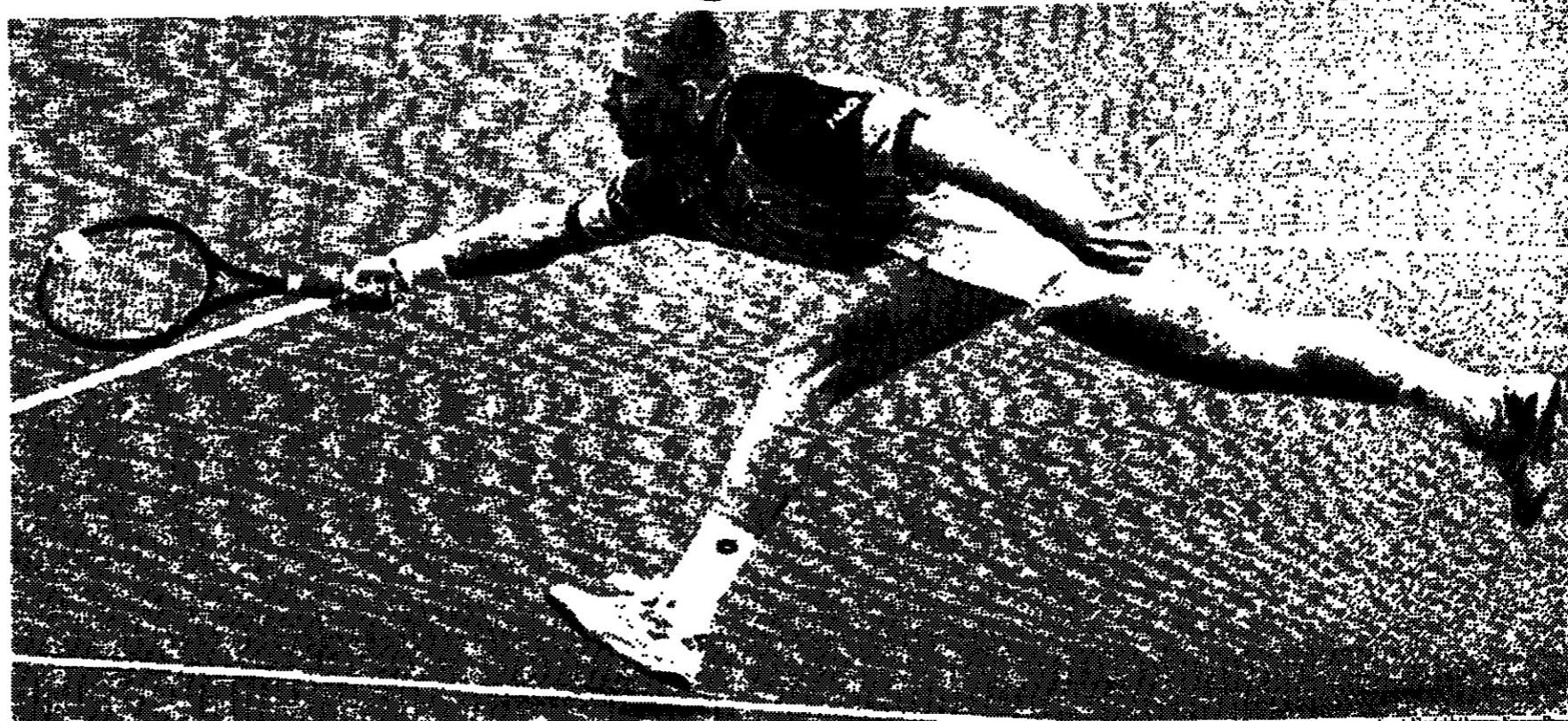
Born and raised in Leimen, little more than an hour's drive away, every match he has played here in the Festhalle has had a Davis Cup atmosphere. What made Sunday's victory even more poignant to him and the 9,000 well-heeled Frankfurters in attendance was that it may well be his last in this city.

The ATP Tour Championship will move north next year to Hanover: a smaller German city with a world exposition to promote the year 2000.

"It has always been an atmosphere like a public festival," Becker said earlier this week of the Festhalle. "I really think it is a shame because this was a perfect indoor tournament."

Becker long has been the prototype indoor player with his booming first and second serves, his relatively flat strokes and his penchant for taking risks. His game demands precision, and indoors, there is no wind, dust or glare to keep his pale, blue eyes from focusing on the task at hand.

The indoor game has changed somewhat since he won here in 1992, blowing past everything except the trick candles planted on his 25th birthday cake. Surfaces are now generally slower; balls now generally heavier. The emphasis is on producing a better



Frank Bechler/Agence France Presse

spectacle, which means less staccato and more lyricism (aka baseline rallies).

"This tournament is not decided by who has the most aces but who has the most complete game," Becker said earnestly and almost pessimistically before the event began.

It was a nice thought. But Becker's serve, not his all-around game, was what ultimately won him this tournament. In five matches, he slammed 92 aces and more than 100 service winners, often at critical junctures. Of equal importance was his second serve, which he regularly hit over 170 kilometers per hour.

In his narrow semifinal victory over Thomas Enqvist, Becker hit 25 aces and 35 service winners. On Sunday against Chang, those numbers were 24 and 36 against a man generally considered to be the game's second best renamer after Agassi.

In one game alone in the second set, he served four aces, all to different corners of the two service boxes.

"I have never seen anybody serve quite that effectively," Chang said. "I don't think I have ever been aces quite that many times. In a sense, Goran (Ivanisevic) didn't compare to Boris today."

It did not start out that way. Chang, who upset Sampras, 6-4, 6-4, in Saturday's semifinal, came out roaring in the first set, breaking Becker in the second game and jumping out to a 5-2 lead. The Festhalle was suddenly far from festive. But then in the ninth game, Chang's much-improved first serve failed him completely, and Becker did to Chang's second serve what he would do the rest of the match: rip them back across the net with alarming ease.

After breaking the American, Becker would go on to dominate the tiebreaker and totally dominate the second set. "Tennis from another planet," he said.

Chang, as is his wont, clawed and scrambled back in the third, but after he failed to convert on a rare break point in the seventh game, he would never get another. Very appropriately, the last point of the match and the tournament would be a Becker ace.

"How do you put happiness into words?" Becker would ask later. "I always said this was my favorite indoor tournament. I talked about the crowd. I talked about the atmosphere. I talked about my feelings about us leaving this place where we have built a tradition. And you know, so many things go through my mind right now, that it is tough to put it into two or three words or sentences."

Perhaps it is best put like this as the Frankfurt years come to a close: This tournament is no world championship, but it still means the world to Becker.

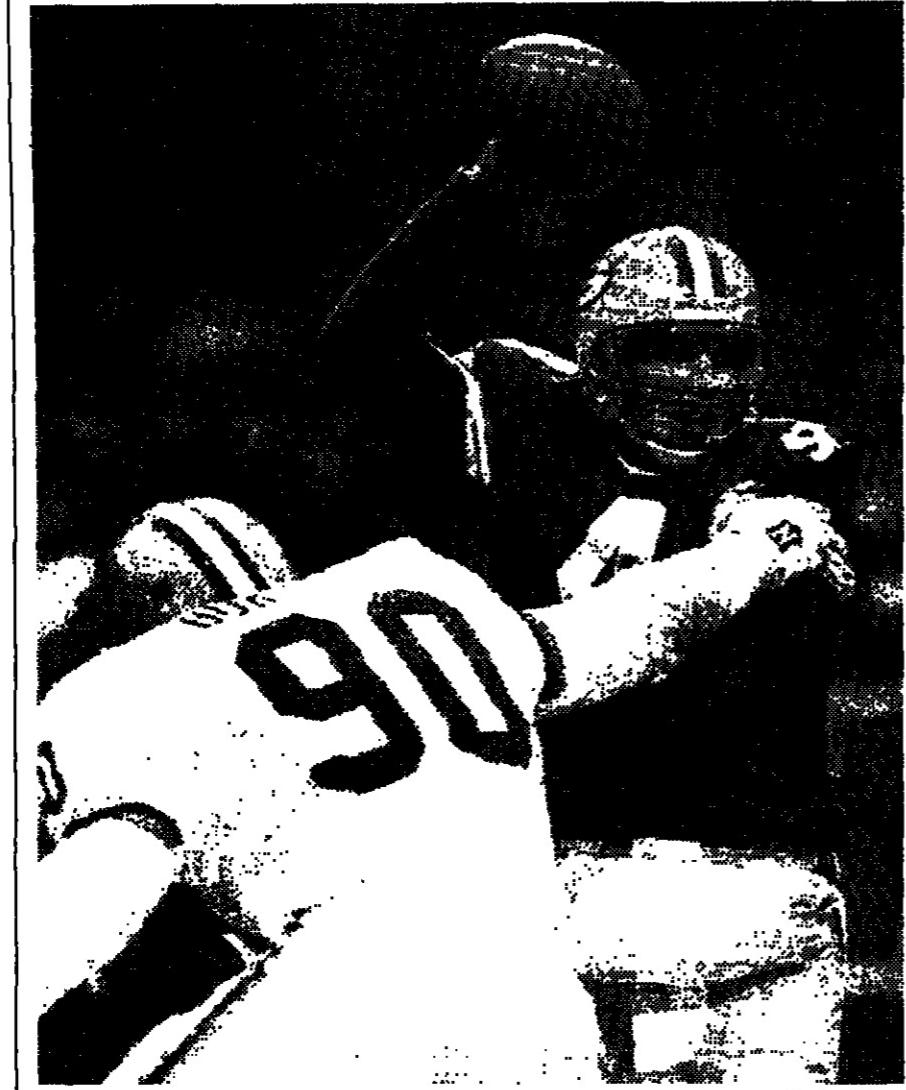
Graf Wins in 5-Set Thriller

Steffi Graf battled Anke Huber, a fellow German, for five sets before ending one of her finest years with a thrilling victory Sunday in the WTA Tour Championships. Reuters reported from New York.

The match had the fans at Madison Square Garden on their feet cheering Graf's 6-1, 2-6, 1-6, 4-6, 6-3 victory after a two-hour 46-minute war.

"It was an incredible end to an unbelievable year," said Graf, who won the event for the fourth time to claim her ninth title of the year.

Pittsburgh Bounces Back to Humble Cincinnati, 49-31



Ron Heflin/AP Wirephoto

The Associated Press

The Pittsburgh Steelers found a new title for Kordell Stewart — game saver.

Stewart's 71-yard touchdown reception was the crushing blow as the Steelers scored 36 straight points in the second half for a 49-31 victory Sunday over the Cincinnati Bengals.

Pittsburgh overcame an 18-point deficit, its second-biggest comeback ever, for its fourth straight victory. The Steelers took control of the AFC Central at 7-4 and avenged an earlier 18-point loss to Cincinnati (4-7). The Steelers trailed 31-13 early in the second half before they started taking advantage of the National Football League's worst defense by figuring out how to get their most versatile player in the game.

Neil O'Donnell threw two touchdowns passes, and Bam Morris ran for three more scores in the final 22 minutes. O'Donnell threw a 15-yard touchdown pass to Andre Hastings and Stewart went to Eric Pegram for the 2-point conversion that cut it to 31-28 late in the third quarter.

Just 2:19 later, Stewart lined up in the slot on the left as a receiver, sprinted down the middle of the field and took a pass from O'Donnell at the Bengals' 43-yard line. He did a 360-degree spin to shake off safety Darryl Williams' grasp and went untouched for his first pro receiving touchdown.

Last Monday, Stewart threw his first pro touchdown pass on an option to spark a 20-3 victory over Cleveland. Stewart, a quarterback drafted in the second round, also run the ball as a triple threat.

That play broke the Bengals' spirits and revved up a pro-Pittsburgh crowd of the 54,636. Morris added touchdown runs of 3 and 8 yards against a defense that visibly faded in the second half.

Pittsburgh rolled up 557 net yards — 341 in the second half — against a defense that lost linebacker James Francis to a broken leg in the first quarter and temporarily lost cornerback Rod Jones to a dislocated thumb.

O'Donnell completed 31 of 24 for 377

yards, and Morris carried 16 times for 101 yards and three second-half touchdowns.

Packers 21, Browns 20 The Browns lost for the third straight time since the news broke that they're moving to Baltimore, passing to Green Bay as Brett Favre passed for three touchdowns and ran for another.

Favre, who threw five touchdown passes in a victory over Chicago last week, was impeccable again, completing 23 of 29 for

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210 yards. He gave Green Bay (7-4) a 21-3 halftime lead with short scoring passes to Dorsey Levens, Mark Chmura and Anthony Morgan, then interrupted the Browns' attempt at a fourth-quarter comeback by scrambling 4 yards for a touch-down.

Cowboys 24, Patriots 10 Marshall Faulk outplayed Curtis Martin, New England's rookie running sensation, and Jim Harbaugh did the same to Drew Bledsoe as Indianapolis beat New England.

Indianapolis (6-5) broke a two-game losing streak in a key AFC East matchup. The Patriots (4-7) suffered a severe blow to their already slim playoff chances.

Martin ran for more yards than any other player the previous four weeks and was the AFC's second leading rusher. But on Sunday, Faulk rushed 24 times for 96 yards, caught eight passes for 71 yards and scored once. Martin, the 74th player drafted, ran for 48 yards and one touchdown against the NFL's fourth best run defense.

Harbaugh, whose nine-year career was revived this season, completed 20-of-26 passes for 232 yards, two touchdowns and one interception. Bledsoe, the top pick in the 1993 draft, was 20-for-39 for 180 yards.

Panthers 27, Cardinals 7 Having already broken the record for victories by an expansion team, the Carolina Panthers are ready to double it. Kerry Collins threw for 201 yards and two touchdowns Sunday and the Panthers held Arizona to its lowest

yardage total in 40 years. In winning for the fifth time in six games, Carolina (5-6) continued to distance itself from the previous record for victories by a first-year NFL team. The 1961 Vikings won three games, a mark that was matched by the '66 Falcons and '67 Saints.

Seahawks 27, Redskins 20 Robert Blackmon intercepted passes from both Washington quarterbacks, Gus Frerotte and Heath Shuler, sending one to the bench and thwarting the other's comeback attempt, and Chris Warren ran for 136 yards as Seattle beat the Redskins.

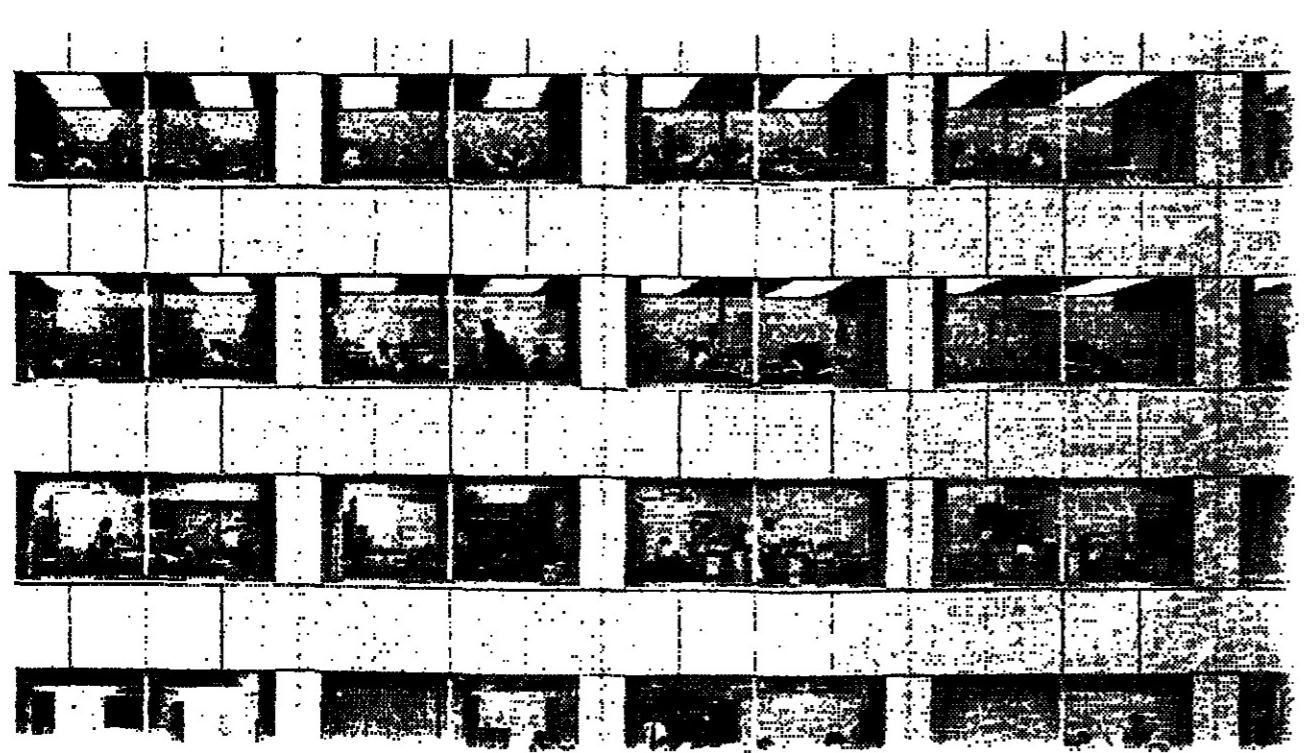
In an inconsistent game between inconsistent teams, Seattle (5-6) took advantage of five Washington turnovers to win its third straight game since the Detroit owner William Clay Ford gave Coach Wayne Fontes an ultimatum — make the playoffs or face a firing.

Receivers Brett Perrin, who had a career-high 12 catches for 142 yards, and Moore, who caught six for 68, got open all day against the Bears' injury-depleted and inexperienced cornerbacks.

Barry Sanders gained 120 yards on 24 carries and joined Eric Dickerson as the second back in NFL history to rush for 1,000 yards in each of his first seven seasons.

Jaguars 17, Jaguars 16 Tampa Bay hung on to win after Steve Beuerlein's 2-point conversion pass to Jimmy Smith was caught just out of bounds with 37 seconds left.

With the Jaguars trailing 17-10, Beuerlein, replacing the injured Mark Brunell early in the fourth quarter, threw a 12-yard scoring pass to Pete Mitchell, completing a 96-yard drive. Rather than go for the extra point and probable overtime, Coughlin decided to go for two.



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